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A

December 23, 1944
10:05 a.m.

ITALIAN FINANCIAL NEGOTIATIONS

Present: Mr. D. W. Bell
Mr. White
Mr. Pehle
Mr. Glasser
Mr. Luxford
Mr. DuBois
Mrs. Klotz

H.M.JR: Good morning, gentlemen.

MR. WHITE: Good morning.

H.M.JR: This is to discuss the letter about Italy. In the first place, the form in which it is written--I read it very hastily--are they trying to use this as a kind of bait or trap, saying, "From now on we will tell you what--within what limits the Treasury should work?"

MR. WHITE: My reaction to the letter was somewhat different, but somewhat along those lines. I felt as I read that letter one would get the feeling that they had thought this matter over carefully and these are lines along which we ought to work.

H.M.JR: You have seen this, the Stettinius letter (indicates letter to the Secretary, dated December 22, 1944)?

MR. BELL: Yes.

MR. WHITE: As a matter of fact, all of the points made here were the points which were made by the Treasury--by the boys discussing it. They presented it to the State Department, and they agreed. That is a minor matter, and I said you would never get it from that letter.

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H.M.JR: I got the impression from reading the letter hastily that the State Department was telling us what we could and couldn't do, that they were laying the foundation for future relations. I don't know.

MR. BELL: I didn't know just what they were driving at in the letter. I got the impression that there was something wrong, or they had suspicions about this Commission, that they wanted to be very careful as to how they were going to handle it. Not knowing the background, I didn't know just what they were driving at.

MR. LUXFORD: I thought that they were trying to give us their views on the political side of what should be done and what shouldn't be done with this Commission. You will note that the points they were stressing were largely political points.

MR. BELL: I didn't get anything sinister out of it, but I thought that was something they were being cautious about.

(The Secretary leaves the conference temporarily.)

MR. BELL: Mr. Glasser says he has the background of all this.

* MR. GLASSER: The State Department in thinking of a reply--I spoke to Collado about it when the letter first went over, and he said that--he told me that their reply would consist of a sympathetic attitude toward the Italian Mission. Then as the course of these technical discussions proceeded, the State Department developed these ideas in discussions with us at the committee, and we talked over each of the points that came up. Then they just added what was agreed upon between ourselves on the technical level--they just added that to the letter. I don't know whether that would be a precedent or not, but it was just an attempt on the part of the drafters to be precise. I don't think there is any implication beyond that. They don't give credit to the discussions.

MR. LUXFORD: In many respects it is a helpful letter in speeding up our work.

H.M.JR: For your guidance, to assist me, Stettinius said this suggestion for a committee of finance with myself as chairman has been referred by him to Acheson and Clayton, and they are going to study and report back to him. Well, he told me before that Acheson--he said that this is something that Acheson gets all excited about, and with Clayton it is a question of whether Clayton should be chairman or whether I should be chairman. I can imagine how Acheson and Clayton are going to react. I mean, they both are going to say it should be Clayton.

But Stettinius didn't seem to want to rush it, and that is all right with me, because there are certain reasons why by waiting we can gain time.

But at Cabinet yesterday something came up that pleased Mr. Crowley--something that happened in the foreign loan field.

MR. WHITE: There was an answer drafted. I think we can do better this morning. It is along the lines that we agreed with them, because whatever is in here has already been agreed upon.

MR. BELL: Why don't we say in the letter of reply that these matters have been discussed?

MR. WHITE: That is what the letter doesn't contain, and that is why I think we ought to rewrite it.

H.M.JR: Do you think it could be rewritten and finished by everybody here in the room and back to me--by when?

MR. WHITE: Today.

H.M.JR: Wait a minute, not today. I have to do my mail between two and two-thirty.

MR. WHITE: It can be redone then.

H.M.JR: Can I have it when I am doing my mail between two and two-thirty?

MR. WHITE: Yes, you will have it by two o'clock unless you don't agree with some of the things which are indicated here.

Harold, you are more familiar with this than I am. Why don't you give it?

H.M.JR: Is that agreeable to you, Dan?

MR. BELL: Two o'clock?

H.M.JR: No, that they do it over and then show it to you.

MR. BELL: Sure.

MR. GLASSER: This is a report on what the Commission decided. We had, I think, five or six meetings with the Italians, each meeting lasting about two or three hours, and they did not talk about reconstruction aid.

They tried to do the following things. They want us to give to the Bank of Italy whatever assets we give to Italy now.

H.M.JR: May I interrupt you now? That story in the New York Times made me so GD mad this morning--the one on the front page that this fellow Mr. Dulles announced, the details of turning over two hundred and twenty-million dollars worth of gold to Belgium for France, and vice versa.

MR. BELL: It was a suit between the French and Belgians and it was settled out of court, and I think he had the right to announce it.

MR. LUXFORD: We were working on it, but we were working on it from a very narrow point of view, namely, to get them to release fifty million dollars before we knew they were going to work out an over-all settlement. We worked

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with them on that side of it, and we also worked with them to get a gold license and freezing license at that time. They negotiated their settlement in Belgium, and they instructed their attorneys here to work it out.

H.M.JR: So there is nothing for me to be mad about?

MR. LUXFORD: No, sir.

H.M.JR: I will find something else, then.

MR. GLASSER: May I give a little sidelight on that transaction?

H.M.JR: Yes.

MR. GLASSER: Just before they completed the deal of transferring gold, it almost broke up when the sheriff of New York asked for his cut for doing nothing at all. He never touched a bar of gold, but according to some old New York law he gets a percentage.

MR. WHITE: They tried to get the law changed. That took them months. That is the same story as the Polish gold.

MR. GLASSER: The French and Belgians put three million dollars in escrow to cover the possible success of the sheriff's suit.

MR. WHITE: And the State is trying to pass a law--if they haven't already passed it.

H.M.JR: You remember when I sent these ships down to South Africa for gold--there is an old naval code which says that the captain of the ship is entitled to ten percent of any gold he transports. The President of the United States told me that the captain and his crew are entitled to ten percent of the gold they transport.

MR. BELL: I would be more in favor of that than seeing the sheriff get it.

H.M.JR: He has the most amazing memory. I was just amazed yesterday when Harold Ickes brought up the question-- and the Attorney General. They are now going to force this issue as to whether the Federal Government can get oil within the three mile limit outside of California and Texas.

The President said, "Aren't you going to go further?"

He said, "Yes, we are, but we are going to do each one gradually."

The President said, "Go much further."

The Attorney General said the old custom is to go to the twelve mile limit, "All you can do is shoot a gun the first three miles."

The President said, "No, Henry Morgenthau settled that in 1933 when he wanted to go out and meet the rum-runners wherever they were, and I interpreted the law so he could do that."

MRS. KLOTZ: He remembered that?

H.M.JR: Just like that.

MRS. KLOTZ: It is amazing.

H.M.JR: On those kinds of things he has the most amazing memory.

Harold, I am sorry White keeps interrupting you.

MR. WHITE: That is the third time, but he is used to it; he has worked for me a long time.

MR. BELL: Why don't you just file a report, Harold?

MRS. KLOTZ: That is a slow way.

H.M.JR: Again Harry interrupts you. When you wanted permission to go to Italy, you gave a report on it.

MR. WHITE: I saw the excellent clean-up work that was done.

MR. GLASSER: These Italians are trying to build up the Bank of Italy, and by giving the troops pay in dollars and turning it over to the Bank of Italy rather than the Italian Government, and turning over to the Bank of Italy the proceeds from the sale of civilian supplies, leaving the Italian Government with all the obligations, what they are trying to do is get a stable financial organization with real assets in it and let the Italian Government bear all the obligations that Italy might have toward the United States in the peace settlement.

Now, we can go a small distance with that, but essentially that is an Italian problem. We deal only with the Italian Government. If the Italians want to work out a deal with the Bank of Italy, that is up to them.

Now, the second thing they wanted to do is to get information, and we think that the reason for their getting information is principally to draw up a bill of how much they contributed to the war in terms of money, and we think they are justified in doing that. It probably would be a very good thing in Italian American relations, as well as general international policy if they were going to do that, and we have been proceeding to give them information. We gave them some more during the course of the Mission, and State, the British, and the War Department are now taking steps for the Allied Mission to give them all the information that they have.

H.M.JR: What do I do about this letter from Stettinius?

MR. WHITE: You sign a letter to him telling him you are in general agreement, and what it has done for the Italians simmers down to encouraging or recommending that their Government be given wider financial powers.

MR. GLASSER: I could read the recommendation if you would like.

H.M.JR: No.

MRS. KLOTZ: That is that.

MR. WHITE: These are the preceeding letters, your letter to Stettinius, and his brief note of reply (hands Secretary Secretary's letter to Stettinius of December 16, 1944, and Mr. Stettinius' reply of December 22, 1944).

H.M.JR: On my part, or your part?

MR. WHITE: It looks like your part.

MRS. KLOTZ: It is.

H.M.JR: What do I do? I want to clean this matter up. There will be a letter coming in around two o'clock?

MR. WHITE: Yes, a letter around two o'clock.

MR. GLASSER: Next week you should see the Italian Mission.

H.M.JR: I won't be here.

MR. WHITE: They will be glad to stay around.

MR. BELL: Does that mean that the dollars will be turned over to the Italian Bank and they merely have a claim?

MR. GLASSER: We turn them over to the Italian Government.

MR. BELL: They are going to use them for supplies?

MR. GLASSER: They must use them for supplies.

MR. BELL: I didn't get it from this report. I have been trying to find out whether or not that decision has already been approved, and now there is an amendment to make a--

MR. WHITE: The Government is to have the power of note issue; we are recommending that.

MR. GLASSER: The really important point we are making here is to give to the Italians the issuing authority over Allied Military in Europe.

MR. LUXFORD: The same as the French have today.

H.M.JR: That is an important move.

MR. BELL: They assumed that obligation in the armistice terms.

MR. DuBOIS: They don't get the issuing authority.

MR. BELL: But they assumed the obligation.

H.M.JR: Are you gentlemen in agreement that they should have authority?

MR. WHITE: We are under the assumption that the better policy is to build up and help the Italian Government. That is what this will do, and apparently that is what the State Department--and I gather you would know whether the President wants that, but that is what this does. It is a decidedly strengthening factor of the Italian Government, and it also greatly improves the relationship between the Italian Government and the Americans, because they will know that the Americans permit and force the British to make them pay for their lira, which they are doing now.

H.M.JR: Before I see these people I will spend time enough on it to understand it, but I'm in a holiday spirit today.

MR. WHITE: Do you feel that before then it is necessary to get clearance as to whether the President wants this done to Italy? Or do you have a clear enough indication?

H.M.JR: On a thing like this, I don't want to go over Stettinius' head. I think what we might do before we finally settle it is to clear with him whether he has cleared with the President.

I am going to give Stettinius every benefit of the doubt up to the time that he cuts my throat.

MR. WHITE: I think that is a very good policy, as long as he is showing he is cooperating a hundred percent.

MR. LUXFORD: There is only one point here.

H.M.JR: Up to the time he tries to cut my throat.

MR. LUXFORD: It is about the question of playing safe on these Italian negotiations. Instead of writing back and saying that we agree with what they are saying on the theory that State makes the ultimate decision, that we want to favor this Government, and why should we take the responsibility for that end?

MR. WHITE: I think we can work this out so that this is a financial policy.

MR. LUXFORD: Based on your foreign policy.

MR. WHITE: Based on the policy of supporting the Italian Government, so they will be sure they are making the policy.

(Mr. Pehle enters the conference.)

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

MR. WHITE: That is all. You asked about Italy, and that is all there is.

H.M.JR: I know you (Pehle) will feel uncomfortable in this crowd.

MR. WHITE: That is all there is on Italy.

We are getting into a little trouble in China. There is some disagreement, and I wondered if it would be appropriate for you to check with the President on the question of giving them gold, because they are going to raise it with him if we keep holding off.

H.M.JR: Look, next week why don't you have Donald Nelson in and talk with him about this thing. He is just back from the Philippines.

MRS. KLOTZ: And chop suey.

H.M.JR: Did you hear the story about Donald Nelson that Friedman told? This General somebody or other who is, as he puts it, the Grover Whalen of China. He sent for Friedman because he was sort of worried, and had him down to dinner. After dinner he said to Friedman, "I am really worried, and I need your help."

Friedman said, "That is out of my department, but I will be back; this is really a problem."

The General said, "Do you know, I have been working for days on the menu for Mr. Nelson, and after the twelfth day I have to repeat myself. Do you have any suggestions?"

MRS. KLOTZ: He has probably fixed that story up.

H.M.JR: No, I think I minimized it.

MR. WHITE: During the next week we are going to continue to hold our line on that and not give them any gold, with the expectation that the President won't be able to get at it until then. They are getting very upset over it.

H.M.JR: Talk to Nelson; he just came back. They are going to make a million trench tools, and are very pleased about it.

MR. WHITE: There is a sidelight on this, the British dealing with the Chinese. The British are going to give the Chinese a million dollars worth of gold in Calcutta in exchange for which the Chinese are going to give them a million dollars here, but the British are charging them five percent on a million dollars.

H.M.JR: That is almost as good as the sheriff of New York.

But this withholding of the gold and making it difficult for them to ship is something that you people are all in agreement on?

MR. WHITE: Well, yes, we have taken that position right along. We have been stalling for over a year, you see, and we have been able to give them only twenty-six million; although they have been pressing for much more, we have been finding excuses, but they suddenly discovered they could send it on commercial boats.

H.M.JR: Why don't I write the President a little memo and tell him what we are doing, and tell him if he wants to do something that would please them very much we could ease up on this thing. This has been the policy for the past year, and I would like to have his advice, and "We have been doing this with the knowledge of State and the War Department."

MR. WHITE: Some time ago he said he wanted to send them gold. It was all confused. I remember later on it was twenty-five million dollars a month.

H.M.JR: "We are doing this with the knowledge of State and War?"

MR. WHITE: We didn't ask War; we told them.

H.M.JR: "With the knowledge of State and War, and we felt that this was the policy to pursue."

Now, if he wants us to ease up on this decision, or wants us to continue, we will be very happy--

MR. WHITE: Or, we can not mention about the past, but say that the Chinese want a lot of gold.

H.M.JR: I would mention the past.

All right, gentlemen.

DEC 23 1944

Dear Ed:

This is in reply to your letter of December 16 concerning the Italian Financial Mission now in this country. The Treasury will be guided by your statement that it is politically desirable for the mission to attain some accomplishments during their visit here, and that the discussion should be directed towards finding practical steps which would assist the Italians and enable them to assume fuller responsibilities over their own affairs. I understand that the financial discussions with the Italian Financial Mission have been proceeding along this course, and that in the technical discussions between the representatives of your Department and the Treasury, agreement has been reached on the type of program which might be given to the Italian Mission. I note that this is essentially the program which is included in your letter of reference.

There is attached a suggested statement which I might give to the Italian Mission as the accomplishment of the financial discussions, after your Department and the War Department have indicated approval. It is not intended that this statement be given publicly, but that an appropriate press release be prepared at the time the mission leaves Washington.

Sincerely,

(Signed) Henry

Secretary of the Treasury

The Honorable,

The Secretary of State.

Enclosure.

HO:Dr1 -12/23/44

"The U. S. Government has viewed sympathetically the explanations and proposals of the Italian Financial Mission, and expresses its desire to take such steps as may be appropriate and feasible to restore to Italy responsibility and authority for its financial administration at the earliest possible moment.

"1. The U. S. Government will consider the negotiation of a written agreement or "understanding" between the two governments on the payment to Italy of troop pay dollars and of the procedures involved for the payment of funds and the use of the funds by the Italians.

"2. The U. S. Government will take steps directed towards providing the Italian Government with all the information available on the financial transactions which the Allies have carried out in Italy.

"3. The U. S. Government will initiate steps leading to an agreement between the United Kingdom and the United States on the one hand and the Italian Government on the other hand which will transfer to the Italian Government the issuing authority for the Allied military lire.

"4. The U. S. Government will assist the Italian Government in its efforts to mobilize to the maximum extent the foreign exchange assets of Italy with the objective of permitting Italy to assume the greatest amount of responsibility for the rehabilitation and reconstruction of Italy.

It is understood that the United States Government must act in concert with the Government of the United Kingdom and the other interested United Nations in carrying out these steps and that the interests of these other Governments must be fully considered."

12/23/44



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FMA

December 16, 1944

Dear Henry:

I refer to your letter of November 22 regarding the Italian Technical Mission which is now in this country, and to my reply of November 23. I had originally thought that we might talk the matter over, but since you have been out of town, it seemed to me that it might be helpful to set down our ideas on what we should attempt to work out with the Mission.

The Italian Mission came to the United States as a result of a request of the Italian Government to send experts and technicians to Washington and London to discuss the urgent economic and financial problems of Italy. The Department agreed to receive technical representatives to discuss such problems in an unofficial capacity. We were informed that the British Government was unwilling to receive such a group prior to the establishment of an Italian diplomatic mission in London.

After its arrival in Washington, the Mission submitted to the Department an agenda covering a number of points, particularly in the financial field but also touching on trade and other matters. A copy of this agenda was immediately furnished to your Department. A number of the subjects listed involve our Allies and can be definitively discussed with the Italians only on a combined basis. Others are more directly concerned with Italo-American relations.

We feel that the Mission should receive a sympathetic hearing from the various Departments and agencies concerned on all the subjects which it wishes to discuss. In the

case

The Honorable

Henry L. Morgenthau, Jr.,

Secretary of the Treasury.



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case of some of the matters involving our Allies, it may be possible only to allow the Italians to explain their problem, to tell them why the Allies are involved, and to suggest that the appropriate procedure for seeking specific solutions is for the Italians to take them up with the Allied Commission. In the case of questions involving the United States only, it is our feeling that the discussions should be as detailed as possible and that the United States' viewpoint on the subjects should be frankly indicated to the Mission to the extent that this can be done. We also consider it important that the Mission be provided with as much in the way of factual information bearing on the economic and financial problems of Italy as can be given to it.

While the Department believes that the American Government agencies concerned should be giving serious consideration to the extent to which the United States could assist Italy in dealing with its reconstruction problems, it does not seem possible at this time for the United States Government to develop, in consultation with the Italian Government a program for Italian reconstruction. In view of the basis on which we agreed to receive the Technical Mission, we had not contemplated that any formal agreement would be reached with the group. Nevertheless, I am sure you will appreciate the political importance, particularly at this stage of affairs, of our not allowing the Mission to return to Italy without some accomplishments. It seems to me that matters involving only United States-Italian relations, particularly those concerning current financial relations, should therefore be discussed with the Mission with a view to determining whether there are practical steps which the Government of the United States could take which would in any way assist the Italians and enable them to assume fuller responsibility over their own affairs.

The discussions which have already taken place with the Mission have, I understand, indicated the possibility of some measures of this character. The points in the financial field which we think should be explored are the following:

1. The steps which the United States

Government

Government could take to facilitate the centralization of the Italian note issue in the Bank of Italy.

2. The possibility of formalizing the present arrangements under which the dollar equivalent of the lire expenditures out of the pay of American troops in Italy are made available to the Italian Government, by incorporating these arrangements into an agreement with the Italian Government.

3. The possibility of permitting the use of the troop pay dollar account for any essential expenditures of the Italian Government which are approved by the appropriate combined agency.

4. The extent to which this Government can indicate to the Italian Government its attitude toward steps which might be taken to give the Italian Government greater control and responsibility in the field of Italian fiscal matters.

The Department is considering the feasibility of other measures, particularly in the field of trade, which could be discussed at least in a preliminary way with the Technical Mission.

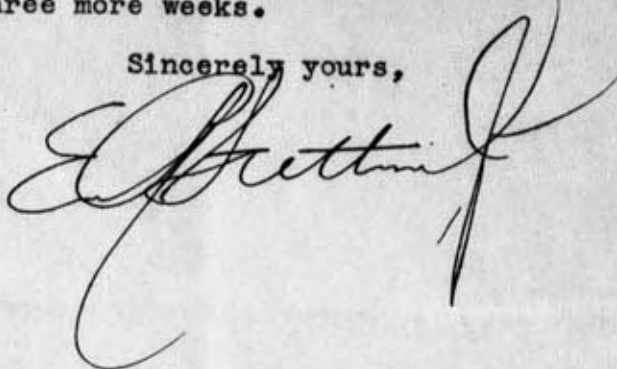
As I have already said, we do not contemplate entering into an agreement with the Mission which is now here. Any agreements with the Italian Government for the present would necessarily have to be made through our diplomatic mission in Rome. However, if it appears from the discussions with the technical group which is now here that something can be done on any of the subjects which have been taken up, I think we should be prepared as a minimum to indicate to the Mission our willingness to enter into negotiations with the Italian Government on these matters. I think it will also be necessary for us to make some kind of press announcement at the conclusion of the discussions with the Mission.

I believe that progress along the lines I have indicated can probably best be made by permitting the conversations with the Mission to proceed along

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the lines that they have already taken. I hope that it will be possible to bring them to a conclusion within two or three more weeks.

Sincerely yours,

A large, stylized handwritten signature in dark ink, appearing to read "E. H. Rittman". The signature is written in a cursive style with a large, sweeping initial "E" and a long, trailing flourish at the end.

THE UNDER SECRETARY OF STATE
WASHINGTON

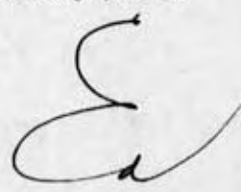
November 23, 1944

Dear Henry:

Thank you for your letter of November 22 enclosing photostatic copies of your memorandum for the President and his reply to you on the matter of Italian reconstruction. I would be delighted to talk to you about this any time at your convenience.

With best wishes,

Sincerely yours,



The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

NOV 24 1944
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November 22, 1944

Dear Ed:

Just before leaving to spend Thanksgiving with my son at Norfolk, I am sending you a photostatic copy of a letter which I sent to the President together with a copy of his memorandum to me. I would be glad to hear from you on this matter.

Yours sincerely,

(Signed) Henry Morgenthau, Jr.

Per HSK

The Honorable Edward R. Stettinius, Jr.,
Under Secretary of State,
Washington, D.C.

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THE WHITE HOUSE
WASHINGTON

November 21, 1944.

MEMORANDUM FOR
THE SECRETARY OF THE TREASURY

Please talk this over with
Ed Stettinius.

F. D. R.



THE SECRETARY OF THE TREASURY
WASHINGTON

MEMORANDUM FOR THE PRESIDENT

At invitation of the State Department, the Italian Government has sent a technical mission to Washington to discuss financial questions leading up to the reconstruction of Italy.

Do you want these discussions to develop into a specific program of what the United States might do to help in the financial and economic reconstruction of Italy?

J M Smith and



December 23, 1944
10:30 a.m.

SURPLUS PROPERTY PERSONNEL

Present: Mr. Pehle
Mrs. Klotz

MR. PEHLE: Now, one of the things, Mr. Secretary, I wanted to get your reaction on that we need down on the Surplus side is an Industrial Research Section, composed of a few people who will devote their time to figuring out uses for property which were made for war purposes but which are of no value for civilian goods, unless somebody with ingenuity can devise uses for them.

Now, to some extent the Treasury will do that, but to the extent we can do it and make it public--and I'd like to go ahead with the planning, to set up a small section which can draw on university research, which can draw on the Government's various agencies for research so that we can get some of this stuff used instead of selling it to one guy who invents a use for it and makes a fortune out of it and then everybody complains.

H.M.JR: In other words, to devise uses for the military--

MR. PEHLE: And to make them public as we devise things and to stir up private people to do it--to stir up universities to do it--foundations--and to tie it in that way.

One of the problems is to get Federal agencies to take surplus goods. Congress feels very strongly the Federal agencies should take surplus, but the trouble is, of course, the procurement of Federal purchasing is done all over. It was supposed to have been consolidated in Procurement. It was not, because Procurement has never been ready to take it on. That is a long-range thing. But immediately we have got to have a workable way of seeing that Federal agencies go first to Surplus to get their needs.

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Now, I had a talk with some of the key Procurement people around town this week, and I threw out to them the suggestion that what if we took the market value of the goods and cut twenty-five per cent off when we sold to Federal agencies. It just changes their whole thinking. It is all out of the same bin. It is all the Government property. All you are doing is transferring it from one Government agency to another, but the fact that they could get the twenty-five per cent reduction just changes the whole picture.

H.M.JR: They get it cheaper than who?

MR. PEHLE: Than if they bought it in the market. In addition to that, all of the goods are shopworn in the sense they have been transferred from the Army to other places and all around, and they are all to some extent goods that have deteriorated, although in some cases that is not material. Now, if that makes sense -- and I am quite sure it does -- I would like to follow it up informally with Budget and try to sell it so that we are not going to get kick-backs from the Appropriations Committee.

H.M.JR: Well, if Mayor LaGuardia, who is very active in this -- he has a proposition that agricultural people can buy this for seventy-five cents on the dollar.

MR. PEHLE: There will be trouble. One of the problems is, will you distinguish between Federal and state agencies -- and I think you can hold that line. But if we don't dispose of these goods to the fullest extent to Government agencies, we are going to be in serious hot water. Congress will just go wild.

H.M.JR: Explore it.

MR. PEHLE: That is what I am doing. Then we will have to sell it to the new Board when they start to operate. Two of them have been appointed, but there is no sign they are taking over.

H.M.JR: I heard indirectly that Colonel Heller was operated on in Boston for phlebitis.

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MRS. KLOTZ: For heaven's sake! Didn't he say to you he would have to have something done?

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

MR. PEHLE: Well, we will go ahead and develop that and I will clear it with you.

I asked for two income tax returns -- probably out of channels. One of them was on Duncan who is down there. Another one is on Hilton who is down there, also, but whom I have on the way out.

H.M.JR: If you will send me a little memo on it -- a request --

MR. PEHLE: Sure. I just did not want to --

H.M.JR: I sent that word back to you, myself.

MR. PEHLE: I know. I realize that.

H.M.JR: I cut corners the other day. I made the first mistake. Well, if you will give me a little formal memorandum -- what do you want to know?

MR. PEHLE: I want to see the returns because these guys are in very key positions. When they are investigated the investigator goes to see their returns, but I just want to be sure. With one of them I have serious doubts.

H.M.JR: You just send me a little formal memorandum. It comes to me.

MRS. KLOTZ: But you won't be here.

H.M.JR: I am telling you now that I approve.

MR. PEHLE: I am issuing a very strong order to the Staff about methods of doing business, of not doing any procurement business off the premises, about not taking gifts of any kind, and so forth. I think we have to lean way over backwards.

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H.M.JR: When you do that, please look up the order that I issued to Alcohol Tax, and I think you will find it almost a model.

MR. PEHLE: All right. I will clear it with Charley Bell's office.

H.M.JR: Yes, I think you will find the one to the Alcohol Tax people was about as tough as it could be.

MR. PEHLE: That is what I want to get.

H.M.JR: I go much further on tax, for instance, on what kind of securities they can own and everything else.

MR. PEHLE: Well, what we are doing on that is not prescribe, because we are in a little different situation, but we are requiring a full report of that they have. I mean, they have to report everything they are holding as of a particular date. At least we have a cut-off so we know where they stand, and a complete reporting of all business relationships they have had so we know whether they have had relationships with a certain company.

H.M.JR: I would like to see that, myself, before you put it into effect, because I am very much interested and I more or less did the Alcohol Tax -- I mean, I was behind it.

MR. PEHLE: One of the sidelights I ran into, we had a fellow down in the Washington Surplus office here who was hired with the knowledge that he had been in jail for manslaughter. It was a domestic squabble, and he shot somebody and he was in Lorton for several years. Well, that could be explained away, but they investigated and found he had also been in jail for embezzlement, and Ireys's office reported it down there. About the time I got down there, the people down there reported back to Ireys's office and said they did not want to fire the guy because he was doing very good work.

But that to me is just indicative of very dangerous, lax procedure.

H.M.JR: Was that on the Surplus side?

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MR. PEHLE: It was in the middle.

H.M.JR: Cliff Mack ought to know better than that.

MR. PEHLE: The fellow was working on the surplus side, but we have let him go since; but he was working down there and he had been in jail for embezzlement and he had not reported it in his application.

H.M.JR: Inexcusable!

MR. PEHLE: Yes. We are having some trouble on Staff down on the Surplus side in the sense that when Olrich went away, particularly in connection with the Textile side, he left us in a very weak position because we had this fellow Fleming from Marshall Field who is a very good man, but he had just been down there temporarily and he was leaving -- had been leaving. There had been no attempt made to set up a staff under him. The same is true with a lot of the others, so I am just having to take the bull by the horns and get hold of some staff, because otherwise the place would just fall to pieces. But the main job remains to get the top man down there. That we will have to focus on.

There are two things on refugees I would like to mention to you, one is that I have been trying to do what I can from this end to keep Stettinius from assigning this Refugee thing to the wrong guy over there, and it is very easy to do because the most of them are wrong. The only possibility I see of even making it look acceptable to the public is to have the thing assigned to either Acheson or MacLeish. Anybody else I think you might as well assume is not going to do anything. I just wanted to tell you that in case it came up in any way, so if you wanted to say something to Stettinius --

H.M.JR: Who is this fellow Bohlen whom he has assigned to look after the White House? He will most likely assign him to me, too.

MR. PEHLE: He has been on the Russian desk over there. It is Bohlen, I think. He is a young fellow and apparently the President took a liking to him and took him on several conferences.

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H.M.JR: He is an interpreter.

MR. PEHLE: He is a little more than that, over there.

H.M.JR: I mean an interpreter for the President with Stalin.

MR. PEHLE: Yes, probably he is the one. As far as I can tell, I liked him. I heard some place that he comes from the Krupp family, but I am not at all sure that that has been verified.

H.M.JR: The German Krupp?

MR. PEHLE: Yes.

Now, we have also been putting a little pressure on Stettinius on war crimes from the War Refugee Board side, because as long as the Germans are fully aware that the German atrocities against the Jews are not considered to be even war crimes by this crazy War Crime Commission --

H.M.JR: You know about Peter Bergson having been here and the point he made?

MR. PEHLE: Yes, I just wanted you to know. I have been pushing Stettinius very hard on that thing. Here is another letter if you care to read it. (Refers to file)

H.M.JR: No, not today.

MR. PEHLE: I am going right ahead and pushing him all the way along. The War end is still doing a pretty good job, and State, as far as refugees are concerned; but of course the new group over there are going to be in the hole very badly.

H.M.JR: P. M. had the whole story last night.

MR. PEHLE: That is right.

H.M.JR: Did we send that up to the Committee?

MR. PEHLE: No, the Committee never asked us for any of it. Pearson had the whole story, too. He told me over the telephone. I was very happy about what you did on this meritorious promotion thing yesterday. I think there are a lot of things like that, Mr. Secretary, which you can do an awful lot of good on, where the policy in the past never got to you. You get individual cases, but you don't see policy that way, and where we could just change the whole feeling.

H.M.JR: And they keep it a secret -- that is the silly part.

MR. PEHLE: Meritorious promotions are little things, but they can be used to give more people comfort that they are doing a good job than anything I know.

MRS. KLOTZ: These little, lowly salaried people --

MR. PEHLE: They do monotonous jobs, day after day, counting checks.

H.M.JR: So is mine monotonous!

MR. PEHLE: Whatever the job is, it is not monotonous!

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December 23, 1944

MEMORANDUM RE JURISDICTION OF WAR
CRIMES COMMISSION OVER MURDER OF JEWS

1. Last August in London Mr. DuBois learned from Mr. Herbert Pell, American Representative on the War Crimes Commission, that most of the Commission's members were of the opinion that the term "war crime," as defined by the Commission, did not include acts committed by the Nazis and their satellites against Jews of "Axis" nationality and other stateless persons. This would mean that persons guilty of atrocities against German, Hungarian, Bulgarian and Rumanian Jews would escape punishment as war criminals unless they also happened to have committed crimes against United Nations nationals. Mr. Pell indicated that the view of the Commission might well change if a strong cable of instructions were received from Washington setting forth the disagreement of the United States Government with any such restrictive definition of the term "war crime."

2. On August 28, Mr. Pehle transmitted a memorandum to Mr. Stettinius recommending that a cable be sent to Mr. Pell advising him of the declared policy of this Government that all Axis nationals guilty of atrocities, regardless of whether the victims were or were not of the same nationality as the criminals, should be tried and punished as war criminals. On September 4, Mr. Pehle received a reply stating that the War Refugee Board would be advised as soon as a decision was reached within the Department of State.

3. Nothing further was heard from the Department of State. Each time that an inquiry was made by telephone -- and there were more than five such inquiries in the past three months -- the Board was advised that the matter was still "under consideration" by the Office of the Legal Adviser to the Secretary of State and the War and Navy Departments.

4. When Mr. Herbert Pell called on Mr. DuBois two weeks ago asking why he had not received a cable of instructions from Washington, inquiry was again made of the Department of State. This time the Board's representative received the

"impression" that the State Department had been unable to find a "legal theory" to justify the punishment of Germans for killing German and other Axis Jews. Four or five days later, a letter was received from Mr. Stettinius stating that the whole war crimes situation was still under "active consideration" by the Department of State and other interested Departments.

5. Mr. Pehle and Mr. Friedman have since had another discussion with a representative of the Department of State with regard to the question of war crimes. They were advised confidentially that the War and State Departments are "considering" what action can be taken and propose to submit a program to the President within the near future.

Attachments:

- (1) Memorandum dated August 17, 1944, of Mr. DuBois' conversation with Mr. Pell.
- (2) Memorandum dated August 28, 1944, transmitted by Mr. Pehle to Mr. Stettinius, together with proposed cable to Mr. Pell.
- (3) Memorandum setting forth the various declarations by United Nations Governments promising retribution for Axis war criminals guilty of crimes against the Jews.
- (4) Copy of letter from Mr. Pehle to Mr. Stettinius, dated December 23, 1944.

August 17, 1944

MEMORANDUM FOR THE FILES

Following are the highlights of my conference today with Herbert Pell, American member on the United Nations Commission for the Investigation of War Crimes:

1. Mr. Pell said that he wanted to give me some information concerning the Commission which has not been made public, but which I could feel free to pass on to the War Refugee Board. Specifically referring to the work of the Board Mr. Pell asked whether or not it was my understanding that machinery had been set in motion to deal with the crimes being perpetuated by the Nazi against minority groups. I told Mr. Pell that I had knowledge of this Commission which had jurisdiction over such matters, but that I was not very familiar with the background of the Commission. Mr. Pell then went on to explain that his Commission did not have jurisdiction over many of the crimes which the Nazi were perpetuating. Thus, for example, he stated that the Commission had taken the point of view that "war crimes" must be established in accordance with the definition of "war crimes" as used in international law and that it only relates to crimes committed by one belligerent against another belligerent (or its citizens) and sometimes crimes committed against neutrals; that war crimes could not include an act committed by a nation against its own subjects or by a nation against the subjects of one of its Allies. Applying this to the case of the persecution and annihilation of minorities in occupied Europe, crimes as the Commission defined it would include crimes committed against Polish citizens by Germans, but would not include acts against German citizens by Germans, Hungarian citizens by Hungary, etc., or the crimes by Germany against Hungarian citizens, Rumanian citizens, etc.

I told Mr. Pell that whatever the definition of "war crimes" may have been in the past to make the distinction he was talking about in the light of the realities of the present war did not make sense to me, and that many of the concepts

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developed in international law had to be revised in the light of the facts of the present war; that merely because war crimes may have been defined in such a narrow sense in relation to past wars should not be used as a necessary precedent in relation to the present war.

Mr. Pell said that he agreed with this point of view but that the other members of the Commission (most of whom were lawyers -- Mr. Pell not being a lawyer) disagreed and took the position that they were bound by the concept of war crime which had already been accepted in international law.

Mr. Pell said that he felt that crimes such as the crimes by Germany against its own citizens and citizens of Hungary should be brought within the jurisdiction of his Commission. He said that he felt that the best way of tackling this problem was not by trying to convince the members that the definition of war crimes should be broadened but rather that each country should instruct its representatives on the Commission that these particular crimes should be dealt with by the Commission. Specifically he suggested that if the United States Government should instruct him to this effect he felt that this would go a long way towards getting this position adopted. Pell further suggested the possibility of having it appear in the press of the United States that the United States Government had so instructed its member. Pell added that in connection with any such instructions the point should be borne in mind that machinery for dealing with bringing such crimes to the attention of the Commission should be thought out inasmuch as the machinery used for bringing to its attention crimes against United Nations was not appropriate. For example, in the case of crimes committed against France the Commission relies upon the French Government to bring these facts to the attention of the Commission and some machinery would have to be worked out for bringing to the attention of the Commission crimes committed against enemy subjects.

2. In discussing the general work of the Commission Mr. Pell pointed out the following facts:

(a) In so far as membership is concerned all the United Nations are entitled to have representation on the Commission. However all United Nations have not designated a representative. For example Russia has not

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designated a representative. I asked Mr. Pell why Russia had not designated a representative and he said it was probably because Russia was dealing herself with crimes committed against her people.

(b) The Commission does not actually engage in investigative work itself but allows the respective members on the Commission to bring to the attention of the Commission crimes committed against its people.

(c) The Commission will not actually itself mete out punishment but in accordance with the Moscow Declaration will do what it can to see to it that the criminals are sent back to the country in which their crimes were committed.

(d) Pell said that he thought that most of the United Nations in Europe would actually punish war criminals but that the United States and Great Britain would probably be very soft hearted about the matter. The arch criminals such as Hitler, Goering, etc., would not be dealt with by the Commission but rather be dealt with on a political level by the Governments of United Nations.

(3) In discussing the general work of the War Refugee Board Pell said that there were two schools of thought as to the question of the extent to which publicity of the threat of punishment was helpful. One school took the position that it did more harm than good to publicly threaten punishment, while the other group took the position that the threat of punishment would deter the prosecution of the crime. I told Pell that the War Refugee Board had definitely adopted the latter point of view. Pell seemed to be sympathetic and pointed out that if we could get instructions of the kind he was talking about to the Commission it might be helpful in connection with the work of the War Refugee Board if such instructions were made public. Pell said that to date the attitude had been that no publicity should be given to the work of the United Nations Commission but that he thought that this policy would be changed soon. I told him that I thought that publicity would be a healthy thing and he said that he agreed.

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4. Throughout our discussion Pell continually made the point that the Jews were not the only groups in Europe being persecuted and that many minority groups, particularly the Catholics, were being persecuted. He said that the only difference between the Jewish groups and other groups was that the Jewish groups were much larger. I pointed out that however true this might be the Jews of Europe were the only group with respect to which the Nazi had adopted a systematic policy not only of persecution but also of extermination. Pell said this is probably right.

5. Pell said that another type of crime which did not fall within the jurisdiction of the Commission was the looting of property in occupied countries, particularly through apparently legal devices such as purchasing the stock of corporations, etc. Pell specifically mentioned the case of France and what the Germans had done there. He said that so far as he was concerned he hoped that some group other than the Commission would be assigned the task of dealing with this job and he wanted no part of it.

6. Pell made it clear that he hoped that I would take up the matter of the scope of the jurisdiction of his Commission over "war crimes" in Washington. He specifically mentioned that it might be brought to the attention of Secretary Hull and reiterated that if he could get the proper instructions from Washington he could carry on from there.

J. E. DuBois, Jr.

August 28, 1944

MEMORANDUM FOR MR. STETTINIUS

As you know, a major activity of the War Refugee Board has been psychological warfare designed to induce and persuade the enemy to cease the persecution of the Jews and other minorities. The basis of this program, which has been carried out in cooperation with the State Department, Office of War Information and other agencies, has been the threat to punish every Axis war criminal who has participated, directly or indirectly, in such persecution. Threats of this nature had been made by the United Nations, including various branches of this Government, even before the War Refugee Board was established, and they have since been repeated with increasing tempo. For your information we have collected and are attaching hereto those declarations which specifically set forth the determination of the United States and of other United Nations to punish the perpetrators of atrocities and other crimes against Jews and other minorities even where the victims are or were nationals of Germany or of a satellite power.

We had assumed that one of the primary functions of the United Nations Commission for the Investigation of War Crimes which was created in 1943, would be to devise procedures for the gathering of evidence and the ascertainment, trial and punishment of those enemy nationals who had participated in such war crimes. Much to our surprise we were informed by our General Counsel, Mr. Josiah E. DuBois, upon his return from London recently that he understood from a conversation with Mr. Pell, the United States representative on the Commission, that the Commission takes the view that war crimes under international law do not include crimes committed by an Axis nation or its nationals against its own subjects or the subjects of another Axis nation. Accordingly, it appears that the Commission is not making any provision for the just punishment of such war criminals.

Needless to say, it would be a fearful miscarriage of justice if such war criminals were permitted to escape punishment for their inhuman crimes. Moreover, the failure to implement the numerous threats of punishment would not

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only subject to ridicule the authors thereof, but would render it far more difficult to deter similar criminal conduct in the future. The failure to punish the criminals of World War I may well have removed a deterrent to the commission of brutalities against civilian populations in this war, including the mass murder of the Jews.

According to Mr. DuBois' report, Mr. Pell is not satisfied with this position of the United Nations Commission for the Investigation of War Crimes, but seems not to have received instructions from this Government in the matter. Mr. Pell believes that the most effective way of inducing the Commission to broaden the scope of its work to include the punishment of all Axis war criminals, including those guilty of crimes against persons in the above categories, would be to have the United States Government instruct him to urge the Commission to include such crimes in its program and, if possible, to have the other governments represented on the Commission instruct their representatives along similar lines. Another suggested step would be to publicize such an instruction by releasing it to the press.

Accordingly, we suggest that the Department advise Mr. Pell along the lines of the proposed cable attached hereto indicating clearly that the declared policy of the United States Government is to ensure the just punishment of all Axis war criminals, including those guilty of crimes against the Jews and other minorities whether or not the victims of such crimes are of the same nationality as the evildoers; and that Mr. Pell should insist upon the formulation of a program by the Commission effectuating this policy.

(Signed) J. W. Pehle

J. W. Pehle
Executive Director

CABLE FROM THE DEPARTMENT TO AMBASSADOR WINANT FOR H. C. PELL,
LONDON, ENGLAND

In connection with Mr. Pell's work on the United Nations Commission for the investigation of War Crimes he should be advised of the following:

A joint statement was issued on December 17, 1942 by the Governments of the United States, Belgium, Czechoslovakia, Greece, Luxembourg, Norway, Poland, Russia, United Kingdom and Yugoslavia and the French National Committee condemning the brutal slaughter of the Jews of Europe by the Germans. The statement concludes:

QUOTE The above-mentioned Governments and the French National Committee condemn in the strongest possible terms this bestial policy of cold-blooded extermination. They declare that such events can only strengthen the resolve of all freedom-loving peoples to overthrow the barbarous Hitlerite tyranny. They reaffirm their solemn resolution to insure that those responsible for these crimes shall not escape retribution and to press on with the necessary practical measures to this end.
END QUOTE

The United States Congress in March 1943 passed a concurrent resolution, which after reciting the atrocities inflicted on the Jews by the Nazis, resolved as follows:

QUOTE That these brutal and indefensible outrages against millions of helpless men, women, and children should be, and they are hereby, condemned as unworthy of any nation or any regime which pretends to be civilized:

RESOLVED FURTHER, That the dictates of humanity and honorable conduct in war demand that this inexcusable slaughter and mistreatment shall cease and that it is the sense of this Congress that those guilty, directly or indirectly, of these criminal acts shall be held accountable and punished in a manner commensurate with the offenses for which they are responsible. END QUOTE

On March 24, 1944, President Roosevelt issued a statement condemning the systematic torture and murder of civilians by the Nazis and of civilians and American soldiers by the Japanese. He also made the following specific reference to the slaughter of the Jews and the punishment by the United Nations of those who participated therein:

QUOTE In one of the blackest crimes of all history - begun by the Nazis in the day of peace and multiplied by them a hundred times in time of war- the wholesale systematic murder of the Jews of Europe goes on unabated every hour. As a result of the events of the last few days hundreds of thousands of Jews, who while living under persecution have at least found a haven from death in Hungary and the Balkans, are now threatened with annihilation as Hitler's forces descend more heavily upon these lands. That these innocent people, who have already survived a decade of Hitler's fury, should perish on the very eve of triumph over the barbarism which their persecution symbolizes, would be a major tragedy.

It is therefore fitting that we should again proclaim our determination that none who participate in these acts of savagery shall go unpunished. The United Nations have made it clear that they will pursue the guilty and deliver them up in order that justice be done. That warning applies not only to the leaders but also to their functionaries and subordinates in Germany and in the satellite countries. All who knowingly take part in the deportation of Jews to their death in Poland or Norwegians and French to their death in Germany are equally guilty with the executioner. All who share the guilt shall share the punishment. END QUOTE

On March 30, 1944 Anthony Eden stated on the floor of the House of Commons that His Majesty's Government wholeheartedly concurred in the above views of President Roosevelt. He said further

QUOTE Evidence continues to reach His Majesty's Government and Allied Governments that the Nazi policy of extermination has not been halted. The persecution of the Jews has in particular been of unexampled horror and intensity. On this His Majesty's Government in common with their Allies, now that the hour of Germany's defeat grows ever nearer and more certain, can only repeat their detestation of Germany's crimes and their determination that all those guilty of them shall be brought to Justice. But apart from direct guilt there is still indirect participation in crime. Satellite governments who expel citizens to destinations named by Berlin must know that such actions are tantamount to assisting in inhuman persecution or slaughter. This will not be forgotten when the inevitable defeat of the arch enemy of Europe comes about. END QUOTE

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Secretary Hull on July 15, 1944, addressing himself specifically to the brutal persecution of Jews in Hungary, said:

QUOTE Reliable reports from Hungary have confirmed the appalling news of mass killings of Jews by the Nazis and their Hungarian quislings. The number of victims of these fiendish crimes is great. The entire Jewish community in Hungary, which numbered one million souls, is threatened with extermination. The horror and indignation felt by the American people at these coldblooded tortures and massacres has been voiced by the President, by the Congress, and by hundreds of private organizations throughout the country. It is shared by all the civilized nations of the world. This Government will not slacken its efforts to rescue as many of these unfortunate people as can be saved from persecution and death.

The puppet Hungarian government, by its violation of the most elementary human rights and by its servile adoption of the worst features of the Nazi 'racial policy', stands condemned before history. It may be futile to appeal to the humanity of the instigators or perpetrators of such outrages. Let them know that they cannot escape the inexorable punishment which will be meted out to them when the power of the evil men now in control of Hungary has been broken. END QUOTE

The foregoing emphatically declares the policy of the United States, as well as of other United Nations, to see to it that all Axis nationals guilty of war crimes, including those against Jews and other minorities whether or not the victims were of the same nationality as the criminals, shall be ascertained, tried and punished.

Please advise whether the United Nations Commission to investigate War Crimes has devised a program and procedures to effectuate the foregoing policy with respect to war crimes against the above-mentioned groups. If no such program and procedures have as yet been formulated, you are instructed to inform the Commission of this Government's policy with regard thereto and of its dissatisfaction with any program adopted by the Commission that will not take into account the punishment of Axis war criminals for crimes against Jews and other minorities whether or not they are nationals of enemy countries.

DECLARATIONS ADVOCATING PUNISHMENT OF AXIS
WAR CRIMINALS FOR CRIMES AGAINST THE JEWS

1. Joint statement of Belgian, Czechoslovak, Greek, Luxembourg, Netherlands, Norwegian, Polish, Soviet, United Kingdom, United States, and Yugoslav Governments and also of French National Committee on December 17, 1942. (State Department Bulletin, Vol. VII, Dec. 19, 1942. p. 1009.)

"The attention of the Belgian, Czechoslovak, Greek, Luxembourg, Netherlands, Norwegian, Polish, Soviet, United Kingdom, United States and Yugoslav Governments and also of the French National Committee has been drawn to numerous reports from Europe that the German authorities, not content with denying to persons of Jewish race in all the territories over which their barbarous rule has been extended the most elementary human rights, are now carrying into effect Hitler's oft-repeated intention to exterminate the Jewish people in Europe. From all the occupied countries Jews are being transported in conditions of appalling horror and brutality to eastern Europe. In Poland, which has been made the principal Nazi slaughterhouse, the ghettos established by the German invader are being systematically emptied of all Jews except a few highly skilled workers required for war industries. None of those taken away are ever heard of again. The able-bodied are slowly worked to death in labor camps. The infirm are left to die of exposure and starvation or are deliberately massacred in mass executions. The number of victims of these bloody cruelties is reckoned in many hundreds of thousands of entirely innocent men, women, and children.

"The above-mentioned Governments and the French National Committee condemn in the strongest possible terms this bestial policy of cold-blooded extermination. They declare that such events can only strengthen the resolve of all freedom-loving peoples to overthrow the barbarous Hitlerite tyranny. They reaffirm their solemn resolution to insure that those responsible for these crimes shall not escape retribution and to press on with the necessary practical measures to this end."

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2. Congressional Resolution adopted in March, 1943. (Congressional Record, 78th Cong., 1st Sess., March 18, 1943, p. 2221.)

"Whereas the American people view with indignation the atrocities inflicted upon the civilian population in the Nazi-occupied countries, and especially the mass murder of Jewish men, women, and children; and

"Whereas this policy of the Nazis has created a reign of terror, brutality, and extermination in Poland and other countries in eastern and central Europe: Now, therefore, be it

RESOLVED BY THE SENATE (THE HOUSE OF REPRESENTATIVES CONCURRING), That these brutal and indefensible outrages against millions of helpless men, women, and children should be, and they are hereby, condemned as unworthy of any nation or any regime which pretends to be civilized;

"RESOLVED FURTHER, That the dictates of humanity and honorable conduct in war demand that this inexcusable slaughter and mistreatment shall cease and that it is the sense of this Congress that those guilty, directly or indirectly, of these criminal acts shall be held accountable and punished in a manner commensurate with the offenses for which they are responsible."

3. Excerpt from statement of President Roosevelt on March 24, 1944. (State Department Bulletin, Vol. X, March 25, 1944, p. 277.)

"In one of the blackest crimes of all history--begun by the Nazis in the day of peace and multiplied by them a hundred times in time of war--the wholesale systematic murder of the Jews of Europe goes on unabated every hour. As a result of the events of the last few days, hundreds of thousands of Jews, who while living under persecution have at least found a haven from death in Hungary and the Balkans, are now threatened with annihilation as Hitler's forces descend more heavily upon these lands. That these innocent people, who have already survived a decade of Hitler's fury, should perish on the very eve of triumph over the barbarism which their persecution symbolizes, would be a major tragedy.

- 3 -

"It is therefore fitting that we should again proclaim our determination that none who participate in these acts of savagery shall go unpunished. The United Nations have made it clear that they will pursue the guilty and deliver them up in order that Justice be done. That warning applies not only to the leaders but also to their functionaries and subordinates in Germany and in the satellite countries. All who knowingly take part in the deportation of Jews to their death in Poland, or Norwegians and French to their death in Germany, are equally guilty with the executioner. All who share the guilt shall share the punishment."

4. Excerpt from statement by Anthony Eden on floor of House of Commons, March 30, 1944. (Cable 2647 of March 31, 1944, from London.)

"Evidence continues to reach His Majesty's Government and Allied Governments that the Nazi policy of extermination has not been halted. The persecution of the Jews has in particular been of unexampled horror and intensity. On this His Majesty's Government in common with their Allies, now that the hour of Germany's defeat grows ever nearer and more certain, can only repeat their detestation of Germany's crimes and their determination that all those guilty of them shall be brought to Justice. But apart from direct guilt there is still indirect participation in crime. Satellite governments who expel citizens to destinations named by Berlin must know that such actions are tantamount to assisting in inhuman persecution or slaughter. This will not be forgotten when the inevitable defeat of the arch enemy of Europe comes about."

5. Excerpt from President Roosevelt's message to Congress in connection with the bringing of 1000 refugees to Fort Ontario. (State Department Bulletin, Vol. X, June 17, 1944, p. 554.)

"Above all, the efforts of the Board have brought new hope to the oppressed peoples of Europe. This statement is not idle speculation. From various sources, I have received word that thousands of people, wearied by their years of resistance to Hitler and by their sufferings to the point of giving up the struggle, have been given the will and desire to continue by the concrete manifestation of this Government's desire to do all possible to aid and rescue the oppressed."

- 4 -

"To the Hitlerites, their subordinates and functionaries and satellites, to the German people and to all other peoples under the Nazi yoke, we have made clear our determination to punish all participants in these acts of savagery. In the name of humanity we have called upon them to spare the lives of these innocent people."

6. Statement of Secretary Hull on July 14, 1944 on Hungarian atrocities. (State Department Bulletin, July 16, 1944, p. 59)

"Reliable reports from Hungary have confirmed the appalling news of mass killings of Jews by the Nazis and their Hungarian quislings. The number of victims of these fiendish crimes is great. The entire Jewish community in Hungary, which numbered one million souls, is threatened with extermination. The horror and indignation felt by the American people at these cold-blooded tortures and massacres has been voiced by the President, by the Congress, and by hundreds of private organizations throughout the country. It is shared by all the civilized nations of the world. This Government will not slacken its efforts to rescue as many of these unfortunate people as can be saved from persecution and death.

"The puppet Hungarian government, by its violation of the most elementary human rights and by its servile adoption of the worst features of the Nazi 'racial policy', stands condemned before history. It may be futile to appeal to the humanity of the instigators or perpetrators of such outrages. Let them know that they cannot escape the inexorable punishment which will be meted out to them when the power of the evil men now in control of Hungary has been broken."

COPY

27

December 23, 1944

Dear Ed:

Thank you for your letter of December 14, advising me that the whole question regarding war crimes is still under active consideration by the Department of State and other interested departments.

As you know, psychological warfare has played an important part in this Government's efforts to persuade the enemy to cease the persecution and slaughter of Jews and other minority groups. The concurrent resolution passed by Congress in March 1943, the President's statement of March 24 of this year and the subsequent one of former Secretary Hull on July 15 were all vitally important parts of this psychological program.

In view of the fact that an unfortunate impression has been created that the United Nations have no real intention of punishing those guilty of crimes against stateless persons, I think it would be an extremely propitious time for you, as the new Secretary of State, to reaffirm publicly this Government's intention to punish all war criminals, including those who have committed crimes against stateless and Axis nationals. Such a statement would be particularly effective if you were to declare specifically that in the eyes of this Government persons who commit crimes against Axis Jews are war criminals.

I would appreciate an early response to this letter.

Sincerely,

/s/ John

Honorable Edward R. Stettinius, Jr.,
Secretary of State,
Washington, D. C.

MJM:nlf 12-22-44

28
December 23, 1944
10:55 a.m.

HMJr: Hello.

Operator: General Giles.

HMJr: Hello.

General
Giles: Hello, Mr. Morgenthau. .

HMJr: How are you, General?

G: This is General Giles. Merry Christmas to you.

HMJr: Same to you and a Victorious New Year.

G: Thank you, sir.

HMJr: General, you were kind enough to have been helpful
in regard to my nephew, Peter Josten....

G: Yes, sir.

HMJr: when he was washed out, and then he went
into gliders.

G: Yes, sir.

HMJr: Well, he's right up now to the end. He's supposed
to graduate on the 30th, and I'm not sure how he's
doing. I wondered if you would mind sending out
an inquiry to make -- to see whether he's going to
be able to make the grade or not.

G: All right, sir.

HMJr: If you don't mind, I'll give it to you over the
phone. It's P. W. Josten -- J-o-s-t-e-n.

G: Yes.

HMJr: And he's twenty-five, twenty-seven, AAF.

G: Twenty-five, twenty seven, AAF.

HMJr: AAF it says.

G: Yes.

HMJr: Section H -- H like in Henry.

G: That's right.

HMJr: At Lubbok, Texas.

G: That's right. We pronounce that Lubbok, Texas. That's down in -- out on to the west of Dallas.

HMJr: Yes.

G: I'll send an inquiry out, and try to get the information back and give to you by six o'clock today.

HMJr: Well, that will be wonderful. He's supposed to, they say, to come through by the -- he's in a class that's supposed to graduate on the 30th.

G: The 30th of this month.

HMJr: All right, sir, I'll get -- make an inquiry and let you know within a few hours.

HMJr: That's very kind and I hope I haven't asked too much.

G: No, that isn't. We'll be very glad to do it, Mr. Secretary.

HMJr: Thank you. Bye.

December 23, 1944
3:40 p.m.

INS, AP, UP CONFERENCE

Present: Mr. D. W. Bell
Mr. Gamble
Mr. Shaeffer
Mr. Little
Mr. Sias
Mr. Harrison
Mr. Hall
Miss Joan Morgenthau
Mrs. Klotz

H.M.JR: How do you do?

MR. GAMBLE: Mr. Sias, Mr. Harrison, and Mr. Hall,
Mr. Secretary.

H.M.JR: Well, I thought it was satisfactory to give out the next to last statement on the 6th War Loan to you gentlemen. Have you had a chance to read this (indicating attachment A)?

MR. HALL: Yes, it is very fine, indeed.

H.M.JR: That would be for, I think, Monday morning. Sunday is a little late now.

MR. HARRISON: That is right.

H.M.JR: I didn't know whether you people wanted to ask Mr. Bell, Ted Gamble, or myself any questions.

MR. HALL: I just wondered, Mr. Secretary, what the E bond figure was by now.

H.M.JR: Do you mean on the record, or off the record?

MR. HARRISON: Either way.

- 2 -

MR. GAMBLE: Two billion, one hundred and seventy-six million; nine million under the beam. We did not credit the forty-one million dollars, and won't until Tuesday. Tuesday we will go twenty-five to forty-five million over the beam.

H.M.JR: Are you releasing that?

MR. GAMBLE: No, sir, but the total is in sight now, Paul. We can almost tell you where it is.

H.M.JR: We are confident of what we see in the works, and I can make this kind of a statement, which is a little unusual. We have never done this sort of thing before. I am confident that we will make the E bonds, just as I was on the five billion individuals. So I will put my neck out to that extent.

MR. SIAS: Everybody around the Treasury seems to be feeling very good about the Drive.

H.M.JR: Well, I think we have reason to be. I know that Mr. Bell and I feel that War Bonds under Ted Gamble's leadership have done a superb job, and having this thing divided up in States--State chairmen, county chairmen, and city chairmen, gives them a pride in this matter that is perfectly amazing. They just take the ball and go with it. Each community is very much on its toes and very conscious of what each community is doing. With help from you newspapermen and all related avenues of communications to the public, it has been a hundred percent. So, all together I think it has been wonderful teamwork as between the public and the Government. And I think it is one of the finest examples we have of this team-play; what can be done if we are called upon to do it.

I think the American public will do anything that they are asked to do properly. I don't think they will refuse to do anything. And I think through our War Bond organization we have found a way to ask them. They will do anything we ask within reason, and I think they will do anything on any other call if they are asked.

- 3 -

MR. HALL: Is there any indication, Mr. Secretary, when the next War Bond Drive will take place?

H.M.JR: I know that Gamble put you up to that. He has been trying to find that out this morning.

MR. HALL: No, he hasn't.

H.M.JR: He looks as innocent as a thirty-seven year old child.

MR. GAMELE: I admit it.

H.M.JR: No, just for you, off the record, he was in, and I suggested that he and Mr. Bell get together this coming week with our statisticians. It will be somewhere between May and June--we hope it will be June, but we don't know. You see, the expenditures for December now look as though they are below seven billion.

MR. BELL: No, a little above.

H.M.JR: Very close.

MR. BELL: They are as high as we expected to go a few days ago.

H.M.JR: I would say that we will make up our minds early in January. It will be somewhere between May and June.

MR. HALL: The reason I asked you that, Mr. Secretary, is because we are looking forward to covering the next trip.

H.M.JR: Fine. You did a swell job. We will push it into June if possible, but if they need the money, we will have to do it in May.

Now, from all accounts we hope you will all be back doing it over again.

MR. HALL: We enjoyed it.

- 4 -

H.M.JR: Have you men any suggestions as to how we can improve our public relations on war bonds?

MR. HARRISON: Mr. Secretary, I think the general form we have worked out in this operation this time is positively foolproof, and I think we improved it as we went along. I think that will probably happen again. Offhand, I can't think of any specific trouble with it; possibly we didn't get enough breaks for afternoon papers, that is about all I can say!

H.M.JR: Are you U.P.?

MR. HARRISON: Yes, sir. (Laughter)

H.M.JR: I have heard the U.P. cry before.

MR. HALL: As you know, Mr. Secretary, we have been very much satisfied with the way the thing was operated. My boss, Mr. William K. Hutchinson, said the other day that to him it worked out very nicely, and he said that as long as he had been in Washington he didn't recall when a news story had been covered that way, as completely and as easily.

H.M.JR: That is good.

MR. GAMBLE: Lyle Wilson wrote in a similar report. It was a unique experience to them to have had that kind of an opportunity to serve, and they would be delighted to do anything they could in the future to help us.

H.M.JR: That is fine.

MR. GAMBLE: In line with the thought you just expressed about the American people doing things they are asked to do by the Government--and I think using your plea for Christmas buying as a springboard, the things we subsequently did--we talked this morning to New York, Washington, D. C. to Indianapolis, Detroit, and Christmas bond buying in the banks is very heavy, which I think is a response to some extent to the appeal that was made.

- 5 -

H.M.JR: It is good, because it has two effects, particularly the one of buying a bond for the man overseas. I think that is one of the nicest gestures a family can make; it has a counter-inflationary effect.

Mr. Bell, do you want to say something?

MR. BELL: No.

H.M.JR: How do you feel about it?

MR. BELL: I feel very good. Everything has gone very nicely.

H.M.JR: You don't want to tell them anything?

MR. BELL: No, I haven't anything to tell them. I think everything has been told up to date.

H.M.JR: Well, it is very pleasant to have a nice little love fest like this on Christmas Eve.

MR. HARRISON: That is what it is.

H.M.JR: I hope you all have a very happy holiday, and again thanks to you and your wire services for what you have done. There will be more, and I hope they put you on the job again.

MR. HARRISON: Thank you very much, sir. A Merry Christmas, Happy New Year, and a Happy Seventh War Loan.

WASHINGTON, DEC. 00 - Secretary of the Treasury Henry Morgenthau, Jr., announced today that, "War Bond sales already tabulated and reported by the Federal Reserve Bank for the Sixth War Loan total \$20,360,000,000 or more than 6 billion in excess of the 14 billion dollar quota set for the Drive.

"Reports of sales to individual investors which have been pouring into the Treasury since the close of the Drive now show a total of \$5,010,000,000. This is 10 million dollars in excess of the 5 billion quota for individuals, and with another full week left in which to receive reports, this means a substantial oversubscription from individuals.

"Based on preliminary figures now available, I am happy to announce that the important "E" Bond quota of 2½ billion dollars will be oversubscribed. Final figures will not be available until January 2.

"Never before in the history of our War Loan program have the people of America responded so enthusiastically to the Nation's appeal," he continued. "The record which will be established by the final figures will convince the whole world, of our people's determination to stay in this fight until final victory."

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

AA
DATE Dec. 23, 1944

TO: Secretary Morgenthau

FROM: S. George Little *SL*

Re: OWI handling of December 16 speech.

A further discussion with OWI reveals the following facts. The speech was teletyped to their New York office and then portions of it cabled to the following points: 750 words to London for distribution throughout England; 170 words to Cairo to be fanned out from there, and 40 words to Paris and other points in France.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Dec. 23, 1944

TO . Secretary Morgenthau

FROM Mr. Shaeffer *E.P.*

Attached is the Congressional Record of December 12, 1944, in which appears the two letters Representative Crawford of Michigan inserted which deal with post-war Germany. Nowhere is there direct reference to you and the so-called Morgenthau Plan.

O'Donnell will be in his office this afternoon when I will discuss the matter with him.

The report showed that the total freight, Canadian and American, was 9,188,408 tons, of which 4,900,762 tons were handled by the American locks and 387,736 tons by the Canadian lock.

Down-bound (east-bound) freight totaled 7,528,849 short tons and up-bound (west-bound) freight totaled 1,659,559 tons.

Of the east-bound freight the major item was ore, 5,183,589 tons, and the major west-bound item was coal, 1,444,988 tons.

Lock reports were suspended after Pearl Harbor for reasons of military security.

The lock report for November follows, given in board feet, short tons, cords and barrels, according to commodity:

East-bound	
Vessel passages	1,083
Passengers	44
Wood products:	
Lumber	
Shingles	
Pulpwood	250
Flour	97,980
Wheat	58,531,973
Grain, other than wheat	25,059,746
Copper, lake	
Copper, electrolytic	
Zinc	
Iron ore	5,183,589
Scrap iron	16,032
Manufactured iron and steel	6,278
Stone	900
General merchandise	59,050
West-bound	
Vessel passages	942
Passengers	83
Coal, soft	1,444,988
Coal, hard	34,900
Iron ore	
Manufactured iron and steel	1,546
Salt	12,439
Petroleum products	60,060
Stone	29,432
General merchandise	70,109
Automobiles	50
Vessel passages	1,075
Passengers	96
Freight:	
East-bound	7,528,849
West-bound	1,659,559
Total freight	9,188,408

VESEL PASSAGES

Vessel passages for December 6, from 6:00 a. m. to 6:00 p. m.

Up-bound: Sir T. Shaughnessy, G. Hindman, Mathewson, Algoway.

Down-bound: Algonac, Laketon, Hagarty, Westmount, Windoc, R. S. Misener, Starbuck.

Vessel passages for December 7, from midnight to 6:00 a. m.:

Up-bound: None.

Down-bound: Lethbridge, W. M. Schupp.

Letters From Servicemen

EXTENSION OF REMARKS

OF

HON. FRED L. CRAWFORD

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Monday, December 11, 1944

Mr. CRAWFORD. Mr. Speaker, the people of the United States are now so deeply and tragically involved in the racial hatreds, internecine warfare, and other problems of western and central Europe, and so many of the sons from American families are now being permanently located on German soil where

they are to remain forever, that I believe it will be of interest to many people to read excerpts from two letters written by two of our American sons now serving in our military forces in Germany.

Dick is a boy I have known for many years. He is a member of one of the outstanding families of this Nation. He grew up under the instruction of a very devoted and devout Christian father and mother, and he graduated from some of the leading American and British universities.

Prior to entering the military service as a chaplain, he was pastor of one of our large churches, and his life thus far has been a successful one.

October 15 and October 24, 1944, Bruce Kelley, captain in an armored division under General Patton, forwarded to his family, who resides in my district, the two memorandums here submitted.

The comments of these two young men will serve to considerably stimulate our thought on the present developments in Germany and other western European countries:

FRANCE, November 20, 1944.

DEAREST MOTHER: Of course, we don't know, but I feel very certain that this Christmas will see us well lodged in Germany—so we'll have a real "Weihnachtsfest" to look forward to. Things are moving ahead with a real push now, and by the time this reaches you I think some startling progress will be made. I prophesy that when we get going again that we'll go through Germany just as speedily as we went through France. It is breaking through these defensive fortifications that is hard. Since I last wrote you we have moved our headquarters. We are now located quite near the German border in one of their ancient towns of Lorraine. We have our office in a very fine building which the Germans recently used as one of their Hitler youth schools. All of their equipment was left intact here, which gives anyone interested an opportunity to study their education methods at first hand. In the principal schoolroom there hangs a very handsome photograph of "der Fuhrer" himself. Would you like me to send it to you?

The textbooks of the school were all stored neatly away, and I had a wonderful time going through them. (I'm glad I can read German!) All of the stuff is thoroughly propagandized from beginning to end. Great emphasis is put on German racial history—the purity of the Nordics, the great achievements of the Aryans, and the world destiny of the German people.

Staff officers are housed in the chateau—a really palatial residence which until recently was occupied by the director of mines of this region—a thoroughgoing Nazi. He lived in grand style; his house is magnificently furnished, and he has a very fine personal library of about 800 books—all in German, and a good deal of it Nazi literature, geopolitics, and all that sort of thing. Huge and learned works on geography and economics to prove that England was getting the lion's share of world markets and that unless this condition was halted Germany's opportunities for growth and development would be nil. This, I am convinced, is the reason that Germany staked her all in another world war. She had calculated in cold-blooded mathematical fashion that unless world geography could be changed radically, shifting from Britain's favor to her own, that she would drop down to a position of third or fourth rate importance here in Europe. She had great confidence in her

own military prowess—and she believed that the rest of the world was decadent. It was a gamble—and worth trying. All this talk about racial purity, the supremacy of German stock, and the glory of dying for the fatherland, I am convinced, is simply used to work up their own people to the emotional pitch where they would sacrifice everything they had in a try at another war.

I doubt if the leaders themselves, including Hitler, take it too seriously. It was simply a talking point to sell their case to the world. The real reason Germany risked this war are in the charts, the graphs, and the texts on world economics. These are highly intellectual, but her method of putting over the war to her own people has been chiefly emotional, and what a beautiful job she has done of it. These books issued to the children are not printed on cheap paper, as English books are. They are ultra deluxe, illustrated with photography which ranks with the best that Americans are capable of producing. Everything these Germans do is so devotedly well done. They are the ablest people in Europe unquestionably—if only they were not so wrong-headed. What to do with them after the war is a tremendous problem. In my own thinking I've come to the conclusion that we must be very severe. I think the Nazi virus has so deeply corrupted their whole system, that we shall have to be pitiless in the penalty to be inflicted on them. Half-measures this time will mean we'll have the whole job to do over again all too soon.

We had all our Protestants in the battalion at one service yesterday. Seeing them all together, about 125, was an inspiring sight, and I tried to give them my best. Their attention was excellent.

Much love,

DICK.

GERMANY, October 15, 1944

Glad to hear that you got my Purple and liked it. I won't get any more kind of awards, so don't worry.

Have had some real good German and jam and jelly lately. I'm glad fighting on German soil now. It was sad to have to destroy towns in other tries, but here—I have very little pity people who made this possible by welcoming and applauding a leader like Hitler. No matter how much these people may deny being Nazis, they are to blame. Their houses are full of evidence of plenty of pro-Nazi—Hitler youth organizations, etc. Nearly all houses are full of religious pictures—crucifixes, Madonnas, Christ, etc.—so you can discount what you've heard of the Germans abandoning the Christian religion. They seem to be deeply religious. There are many more religious pictures, Bibles, and prayer books than you would find even in American homes.

Also I've been very much surprised at conditions. The French were not badly off at all—certainly not starving—and for the most part not treated so horribly by the Germans. Belgians have a rich country—good stock, good land. The Dutch look very prosperous, and these Germans seem to have everything. No! Europe does not give the impression of being a starved, tortured, ragged bunch of people.

I hope these people will be glad to be free, have their own governments, and be assured of a future of peace. But I do hope that we'll never again come half across the world to mix up in other peoples' affairs.

When this is over the French will resent our saying anything about what France shall do; the British will minimize our contributions—especially financial—and will want to have the big voice at the peace table, and she will probably have it. It will take real diplomacy and far-sighted wisdom to settle this thing.

I do not like to hear about some of these politicians at home talking about how we will have to split Germany up into small agricultural states, take away her industries, etc. That talk will only make her fight harder and longer, and Lord knows it's bitter enough now. Why don't these politicians with the smart ideas keep their traps shut and just let Germany guess what her fate will be. Better to let her think that she'll get off easy and then give her the works after she's laid her guns down. I'm not making a plea for Germany, but I am angry about some loud people at home who think the war is over and all we have to do is to decide what we'll do to the Germans.

Let me say that I don't think Germany can last long. I'm not pessimistic, but the fighting is still bitter, and I don't want to give the "master race" any more incentive to fight than they already have.

OCTOBER 24, 1944.

Two weeks from today you should have a pretty good idea of who will be in the White House for the next 4 years. Whoever it is, I do not envy him. There will be a great many problems confronting the next President—war, peace, domestic. It is going to require real statesmanship, courage, and wisdom to direct our United States through the war, through the peacemaking period, and through the post-war period. It is my idea that Dewey would prove very sound, and I would like to see him in office.

On election eve I shall be able to picture you all, hovered over the radio as the returns come in. Well do I recall last election eve. I was with Janet listening to the returns. Don't know what I'll be doing this election eve, but I know it will be quite different from the last. If 4 years ago someone had told me that I would cast my next ballot in Germany, I would have told them they were way.

The war seems to be going well. Naturally, I'd like to see it move rapidly, but there seem to be periods which go slower for one reason or another. So many factors have to be considered, supply, weather, consolidation of gains already made, changes in military dispositions, etc. The landings in the Philippines are very impressive and encouraging. When you stop to think of the large areas in which this war has been fought I think we can be quite content about our progress. We have steadily grown in strength, and, though it has been a long process, our strength has been pretty well distributed and effectively applied.

Views of Disabled American Veterans

EXTENSION OF REMARKS

OF

HON. CLINTON P. ANDERSON

OF NEW MEXICO

IN THE HOUSE OF REPRESENTATIVES

Tuesday, December 12, 1944

Mr. ANDERSON of New Mexico. Mr. Speaker, there is before the President of the United States, H. R. 1744, to extend pensions to dependent widows and children of deceased 90-day veterans of World War No. 1.

In connection with that legislation, the Disabled American Veterans have certain pronounced views. There are a great many disabled veterans in the State which I represent and I feel that they are entitled to an opportunity to state their case.

For that reason I desire to present a letter written December 5, 1944, to the President by Mr. Millard W. Rice, the national service director of the Disabled American Veterans. It is as follows:

DISABLED AMERICAN VETERANS,
NATIONAL SERVICE DEPARTMENT,
Washington, D. C., December 5, 1944.

THE PRESIDENT,

The White House, Washington, D. C.

MY DEAR MR. PRESIDENT: H. R. 1744, which would extend pensions to dependent widows and children of deceased 90-day veterans of World War No. 1 who, at time of death, were not suffering from any service-connected disabilities, on the same basis as heretofore provided for the dependent widows and children of deceased World War No. 1 veterans who, at time of death, were suffering with service-connected disabilities, now before you, deserves your careful consideration before its approval, for the following reasons:

1. It would, for the first time, provide a service pension system, for the dependent widows and children of 90-day deceased veterans of World War No. 1 who never had any service-connected disabilities whatsoever, at the same rates and under the same conditions as heretofore provided for the dependents of such veterans as, at time of death, were suffering with service-connected disabilities.

2. It would extend pensions to dependents of deceased 90-day veterans of World War No. 1 who never had any service-connected disabilities, in response to the pressure of numbers—without any comparative considerations by congressional committees or the two Houses of Congress, as to the various factors involved—while at the same time proposed legislation to correct and liberalize existing inadequacies, inequities, and inequalities as to benefits for war service disabled veterans and their dependents, and the dependents of our war dead, remains sidetracked, including, among others, the following objectives:

(1) To provide dependency allowances, on a cost-of-living basis, for all service-connected disabled veterans (H. R. 4280).

(2) To require the Veterans' Administration to underwrite all State workmen's compensation costs as to service-connected disabled veteran employees (H. R. 2950).

(3) To increase the basic monthly allowance payable to service-handicapped veterans of World War No. 2 while undergoing vocational training to the same amount as payable for total disability, for which there is an urgent need now (H. R. 5516).

(4) To provide death compensation, or a cost-of-living basis, for the widows and children, and dependent parents, of deceased war veterans who shall have died while in service or subsequently by reason of service-incurred disabilities (H. R. 841).

(5) To provide more adequate pensions, on a cost-of-living basis, for the dependent widows and children of deceased war veterans of World War No. 1 and World War No. 2 who, at time of death, were suffering from service-connected disabilities (H. R. 915).

(6) To provide full compensation for single veterans while hospitalized (H. R. 979).

(7) To provide minimum 10-percent ratings for wounded or gassed veterans (H. R. 736).

(8) To provide increased compensation for service-connected disabilities on the basis of increased ages—long ago provided as to the service pensions granted to veterans of wars prior to World War No. 1 (H. R. 754).

(9) To restore full compensation for the so-called presumptives (H. R. 797).

Paraphrasing your own oft-repeated emphasis as to first things first, the D. A. V. believes that highly justifiable, badly needed, liberalizing legislation on behalf of our war service disabled veterans and their depend-

ents, and the dependents of our war dead, such as those above indicated, and others, should be regarded as a primary obligation of the Nation and ought, therefore, to be among the first legislative bills concerning veterans and/or their dependents to be enacted into law. During the last year, however, such proposed justifiable legislation, based on service-incurred disabilities, has been shunted aside in Congress to give right-of-way to proposed legislation to provide benefits to able-bodied veterans and the non-service-disabled veterans and their dependents.

Because of the recent sudden change by the Veterans' Administration and the Bureau of the Budget from expressed opposition to service pensions for veterans or for their dependents to endorsement of H. R. 1744, and because of the speedy action which followed in the two Houses of Congress concerning these potentially expensive service pensions, there was practically no opportunity to present these viewpoints before congressional committees, and before officials of the Veterans' Administration.

Incidentally, your approval of H. R. 1744 would inevitably invite the subsequent enactment of other more liberal and costly service pension legislation. Therefore, we could not permit the silence of the D. A. V.—as the only congressionally chartered organization composed exclusively of America's disabled defenders—to give rise to any false assumption that service disabled veterans and their dependents have already been adequately provided for. Matters of first importance ought to be the first to be taken care of.

Without expressing any opposition to the proposal of providing service pensions to veterans, or to the dependents of veterans, not based on any service incurred disabilities—as to which we have no convention mandate—we take this opportunity to emphasize that this proposed legislation to grant the same benefits to dependents of the nonservice disabled as to dependents of the service disabled, would be a grave departure from precedent, as well as the previous statements of policy enunciated by you, by the Bureau of the Budget, and by the Veterans' Administration.

May we look forward to early favorable consideration and action to provide adequate, highly justifiable, badly needed, liberalizing legislation on behalf of our service disabled veterans and their dependents, and the dependents of our war dead, notwithstanding your approval or disapproval of H. R. 1744?

Respectfully yours,

MILLARD W. RICE.

Field Marshal Sir John Dill

EXTENSION OF REMARKS

OF

HON. SOL BLOOM

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, December 12, 1944

Mr. BLOOM. Mr. Speaker, the learned gentleman has given the membership of this House an accomplished picture of the great service which Field Marshal Sir John Dill has given to his own country and to the United States during our time of common peril. I have listened with closest attention, because I share the gentleman's high admiration for the great field marshal. I should like to take

CAPITOL STUFF

By JOHN O'DONNELL

IN THE last fortnight an amazing change has come over this world-war Capital of the world. Gone are all the cheerful Presidential campaign certainties that we were winning the war in Europe in an easy walk.

Vanished is the happy picture that the world diplomatic set-up is all hunky-dory because F.D.R., Winnie and Pal Joey are just one happy trinity who understood one another. Gone too is the notion they have tossed off so much caviar and vodka together at Teheran while planning how to make the world wag, that it would be a dirty trick to smash the winning combination by breaking up the beautiful friendship of British Tory, Russian Commy and American New Dealer.

Right now, to speak sooth, everything has gone to hell on the world diplomatic front. The Dumbarton Oaks conference anointed with all the pomp and ceremony of a Broadway press agent's scam, is a dead duck.

And so is the New Deal proposition that the Senate of the United States kiss good-by to the ancient doctrine of the Republic that a bargain with a foreign nation is important enough to require the okay of two-thirds of the Members of the Senate.

AS A matter of cold fact, this Christmas season is the grimmest and most discouraging that the American people have faced since the Japs, back in December 1941, made the over-all military-diplomatic strategy of Commander in Chief Franklin D. Roosevelt look ridiculous by cashing in on the greatest military crime in history (responsibility, Washington, D. C.), and so achieving their mighty victory at Pearl Harbor.

The shock that came last week to the American people by the discovery (thanks to the forthright Churchill) that we don't see eye to eye with our beloved Allies—the British and Russians—on the diplomatic front in Europe wouldn't have been so bad if it hadn't been covered up by the White House during the Presidential campaign.

THE same applies to the situation of our armies on the European front.

And responsible officers from the Pacific are now returning to say privately that we must expect at least four years more of war to lick the Japs—the pessimists here are saying it may take ten. None of this was heard before last November 7.

One of the encouraging facts (because it shows we can take the truth) is that we are now hearing some very blunt observations from the American fighting men in Europe whose curses, loud as well as deep, are coming through censorship from the fighting front to their correspondents on this side.

The Congressional Record contains some lively reading. Members of Congress are sensitive to the heart-felt views of the boys on the battlefields along the Rhine. They have a rough but very sound and practical idea that come peace the returned veterans are going to run the political show in this nation and hence the healthy respect.

HARSH and brutal are the messages from the front which place directly on the doorstep of Secretary of the Treasury Henry Morgenthau Jr. personal responsibility for increasing the number of American casualties.

This bitter charge is based on the belief by GI's that Morgenthau's personal plan to punish a defeated Germany played directly into the hands of Dr. Goebbels and so transformed Germans willing to surrender into fanatic warriors eager to die to defend the "Holy Land" of Germany from the postwar proposals of arch enemy Morgenthau.

MICHIGAN'S Representative Fred L. Crawford put some letters in the Record last week, one from a chaplain "graduated," said Crawford, from "our leading American and British universities," the other from Capt. Bruce Kelley in Patton's armored division. Both are residents of Crawford's district. Some of the excerpts are interesting.

The tank captain in Patton's outfit writes:

"I do not like to hear about some of these politicians at home talking about how we will have to split Germany up into small pieces, agricultural states, take away her industries, etc.

"That talk will only make her fight harder and longer and Lord knows it's bitter enough now. Why don't these politicians with smart ideas keep their traps shut and just let Germany get what her fate will be . . . I am angry about some lousy people at home who think the war is over and all we have to do is decide what we will do to the Germans."

ON THE question that the Nazis are the enemies of-Christian religion, both Protestant and Catholic, the Congressman's chaplain informant has some enlightening reports from the actual scene in occupied Germany. He writes:

"Nearly all houses are full of religious pictures—Crucifixes, Madonnas, C's, etc.—so you can discount what you've heard about the Germans abandoning the Christian religion. They seem to be deeply religious. There are many more religious pictures, Bibles and prayerbooks than you would find even in American homes.

"Also I've been very much surprised at conditions. The French were not badly off at all—certainly not starving and for the most part not treated so horribly by the Germans. Belgians have a rich country—with stock, woodland. The Dutch look very prosperous and these Germans seem to have everything. No! Europe does not give the impression of being a starved, tortured, ragged bunch of people."

GIs' Letters Butchered To Plug for Soft Peace

'Daily News'
Writer Fits Phrases to
Own Ideas

By ELIZABETH DONAHUE
PM's Bureau

WASHINGTON, Dec. 22.—John O'Donnell, New York *Daily News* columnist, has used distorted excerpts from two letters from overseas in an apparent effort to plug for a soft peace for Germany.

O'Donnell's sources are letters inserted in the *Congressional Record* by Rep. Fred Crawford (R., Mich.)

The letters—one from a chaplain and one from a soldier in Gen. Patton's armored division—were addressed to their families.

Patton's tank captain, O'Donnell points out, wrote:

"I do not like to hear about some of these politicians at home talking about how we will have to split Germany up into small pieces. . . . that talk will only make her fight harder and longer and Lord knows it's bitter enough now. . . . Why don't these politicians with smart ideas keep their trap shut and just let Germany guess what her fate will be. . . ."

Whiplash Left Out

O'Donnell's version of the story ends there. But the tank captain added, according to the full text of the letter published in the *Record*:

"Better to let her (Germany) think that she'll get off easy and then give her the works after she's laid down her guns."

The author of the same letter wrote: "No matter how much these people may deny being Nazis, they are to blame."

O'Donnell, disregarding large portions of the letters, makes this comment:

"Harsh and brutal are the messages from the front which place directly on the doorstep of Secretary of the Treasury Morgenthau personal responsibility for increasing the number of casualties."

To support his case against Morgenthau and advocates of strict postwar discipline for Germany,

O'Donnell quotes several passages that read like an eloquent apologia for the Nazis:

"Nearly all (German) houses are full of religious pictures—crucifixes, Madonnas, Christs, etc.—so you can discount what you've heard about the Germans abandoning the Christian religion."

'Nazis Have Everything'

"The Dutch look prosperous. The French were not badly off at all. . . . Belgians have a rich country . . . and these Germans seem to have everything."

While quoting this pretty picture of life under Nazism, O'Donnell ignored the same writer's preceding remarks which damned the Nazis and all their works:

"I'm glad we're fighting on German soil now. It was pretty sad to have to destroy towns in other countries, but here—I have very little pity for people who made this possible by welcoming and applauding a leader like Hitler."

"No matter how much these people may deny being Nazis, they are to blame. Their houses are full of evidence of plenty of pro-Nazism—Hitler youth organizations, etc. . . ."

O'Donnell omitted all that.

Another of the correspondents upon whom O'Donnell relied for his first-hand knowledge of the soft-hearted attitude of troops toward the Nazis, declared emphatically that "the Germans are the ablest people in Europe if only they were not so wrong-headed. Half-measures this time mean we will have to do the whole job all over again."

O'Donnell omitted all that.

41
Treasury Department
Division of Monetary Research

Date December 23 1944

To: Secretary Morgenthau

You will be interested to learn
that the Farm Bureau Federation has
come out in favor of the Bretton Woods
proposal.

H.D.W.

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

Treasury Department
Division of Monetary Research

42

Date.....December 16, 1944 19

To: Mr. White

From: E. M. Bernstein *EMB*

The Farm Bureau Federation has come out for the Bretton Woods program. I heard of this, now reported in the Times, at Chicago. Some of the economists of the Federal Reserve Bank of Chicago were called in on this point.

**PEACE TALKS HAILED
BY FARM FEDERATION**

Special to THE NEW YORK TIMES.

CHICAGO, Dec. 14—Approval of United States cooperation in world affairs as outlined at the Dumbarton Oaks conference and Bretton Woods and through the proposed international food and agriculture organization was voted in resolutions today by delegates to the convention of the American Farm Bureau Federation.

While stressing the need for economic stability on a domestic basis, the federation's resolutions urged also "that foreign and domestic barriers be gradually adjusted or removed so as to facilitate the maximum exchange of goods and services between nations and be-

tween groups in our country, to the end that maximum employment and production may be achieved throughout the world."

The group further urged "the adoption and maintenance of economic policies and relationships necessary to assure a fair exchange value for the products of industry and agriculture and the maintenance of continuous and substantial wages for labor in line with such a balanced price level."

Retention of the Agricultural Adjustment Act was insisted upon, along with price stabilization for basic commodities and price supports for non-basic commodities under the Steagall Act. Parity prices in the marketplace were urged, while subsidies in lieu of fair prices were scored.

Other resolutions opposed compulsory military training, but favored the training as part of the

educational system; favored coverage of farm labor by old-age and survivors' insurance under the Social Security Act; emphasized the need for freedom of speech, press and the radio, and urged a program opening opportunities for war veterans in farming communities.

42

DEC 23 1944

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 Mr. John Carter Vincent was most helpful to me.

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.

I am forwarding for your files copies of exchange of letters between Dr. Kung and myself covering this agreement.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable

The Secretary of State

Enclosures

ISF/efs 12/22/44

Regraded Unclassified



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

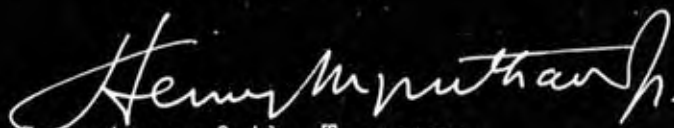


- 2 -

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.

MINISTRY OF FINANCE
NATIONAL GOVERNMENT OF CHINA

November 25, 1944.

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

Dear Mr. Secretary:

I am in receipt of your letter of November 25, 1944 in which you stated that you were informing the War Department of the successful termination of the negotiations with respect to U.S. Army Yuan obligations in China on these 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 (U.S.\$185 million), in addition to the Twenty-five million U.S. dollars (U.S.\$25 million) already transferred, making a total of Two Hundred and Ten Million U.S. dollars (U.S.\$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 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."

On behalf of the National Government of China I wish to confirm this settlement as set forth in paragraphs 1, 2 and 3 and also to take note of the appended minutes of conversation.

In making this settlement I wish to state that my Government agrees to the above terms in the interest of Chinese-American cooperation and in order to clear the way for closer collaboration in strengthening the war effort against our common enemy. Furthermore, I wish to express my deep appreciation for the unending sympathy and painstaking effort which you have taken throughout the negotiation.

Yours sincerely,


H. H. Kung
Minister of Finance

MINISTRY OF FINANCE
NATIONAL GOVERNMENT OF CHINA

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 cooperation which you have given to us."

MINISTRY OF FINANCE
NATIONAL GOVERNMENT OF CHINA

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 airfields 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 airfields 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."

DEPARTMENT
OF
STATE

OUTGOING
TELEGRAM

51
DIVISION OF
COMMUNICATIONS
AND RECORDS

DGS

December 23, 1944

6 p.m.

This telegram must be
paraphrased while being
communicated to anyone
other than a Government
Agency. (SECRET-0)

AMEMBASSY,

CHURCHING.

1695

FOR ADLER FROM TREASURY

With reference to matter of disposal of surplus
of Indian rupees discussed here, it is likely that
you may have to go to Delhi in near future. Further
instructions will be sent you later.

SECRET (GL)

FMA:EGG:ja
12/23/44

CONFIDENTIAL
For security reasons
text of this message must
be closely guarded.
(LEASON)
COMMUNICATIONS
AND RECORDS

1944 DEC 26 AM 11 45

DEPARTMENT OF STATE
DIVISION OF

December 23, 1944

Dear Ed:

I would appreciate it if you would send the following telegram for me to Ambassador Caffery:

"Saxon has just returned from Paris, and informs me that you have given the Treasury hearty support in the work which we are carrying on at the present time in France. I would like to thank you, and wish you a Merry Christmas and a Happy New Year."

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Honorable Edward R. Stettinius, Jr.,
Secretary of State,
Washington, D.C.

DEPARTMENT
OF
STATE

OUTGOING
TELEGRAM
DIVISION OF

53
DIVISION OF
COMMUNICATIONS
AND RECORDS

1944 DEC 26 AM 11 43
December 23, 1944

MAM

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

AMEMBASSY

PARIS

833

FOR AMBASSADOR CAFFERY FROM SECRETARY MORGENTHAU

Saxon has just returned from Paris, and informs
me that you have given the Treasury hearty support
in the work which we are carrying on at the present
time in France. I would like to thank you, and
wish you a Merry Christmas and a Happy New Year.

STETTINIUS
(PTC)

WE:PTC:MDM
12/23/44

MF-1547

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

Sofia

Dated December 23, 1944

Rec'd 5:58 p.m., 27th

Secretary of State

Washington

32, December 23, noon.

Have now been informed by Palestine office here that all refugees detained at Starasagora and Kasedanlik have been cleared by Russian authorities for onward passage to Turkey. (Reference your telegram No. 4, November 20, 9 p.m. to Caserta). Please inform Department for War Refugee Board.

Sent to Ankara, repeated to Caserta as No. 32.

BARNES

JM

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

CONFIDENTIAL

AMERICAN EMBASSY

No. 2524

Quito, December 23, 1944

Subject: Assistance to Refugees from Enemy Persecution

The Honorable

The Secretary of State,
Washington.

Sir:

Referring to the Department's airgram No. 514 of November 8 last regarding the special immigration procedure that had been adopted by the United States Government in favor of persons in enemy-controlled territory, I have the honor to enclose a translation of a note from the Minister for Foreign Affairs, dated December 20, 1944, replying to a note which the Embassy had addressed to the Foreign Office on November 22, 1944 in pursuance to the Department's airgram under reference.

It will be noted that the Foreign Office communication states that existing legislation does not permit the granting of special assistance to holders of expired Ecuadoran visas and that it is necessary under Ecuadoran law that such individuals apply for new visas in the same manner as originally.

Respectfully yours,

Enclosure:

Translation as stated.

Copy to Consulate General, Guayaquil

File No. 840.1

JWG:mjp

(TRANSLATION)

REPUBLIC OF ECUADOR
Ministry of Foreign Affairs
101-DDP-33

CONFIDENTIAL

Quito, December 20, 1944

Mr. Ambassador:

I have the honor to acknowledge the receipt of your esteemed note No. 460, of the 22nd of last month, in which, with reference to the conversation which Your Excellency and Mr. Jacob Lardan of the Executive Committee of the American Jewish Committee of New York had with His Excellency, the President of the Republic, the Minister of Government and the undersigned, on the 27th and 28th of September concerning the granting by the Government of Ecuador of immigration visas to a number of European refugees, you were good enough to inform us that you had received information from the Department of State that referred to the measures taken by the United States Government for the benefit of certain persons in enemy-controlled territory.

2. Your Excellency adds that the Government of the United States of America has adopted a special procedure with relation to the said persons and that this system has been made known to the Swiss Government by means of instructions sent to the American Legation in Bern.

3. I have read with interest the procedure which the United States has adopted regarding this subject, as well as the summary of the instructions sent by your Government to the United States diplomatic mission in Switzerland.

4. Your Excellency took occasion to inform me of the desire of the Government of the United States that Ecuador adopt similar measures which might be extended to other categories of persons or to a definite number of victims of the enemy, taking into account the fact that in areas dominated by the enemy there is a possibility that there are a small number of individuals with expired Ecuadorian visas and that these persons are subject to the persecution of the aggressor nations.

5. In reply, I beg to inform Your Excellency that the position maintained by this Foreign Office in the matter is that the persons who possess visas which have expired are in a situation similar to that which governs the obtaining of these documents for the first time.

- 2 -

6. Consequently, bearers of holders of authentic Ecuadoran visas which have expired, desiring to enter Ecuador, must comply with the legal regulations which govern the issuance of visas and which the Foreign Office is not able to fail to observe strictly.

7. By virtue of the above, the Government of Ecuador regrets that it is not able to take measures similar to those adopted by the United States of America, for any other position would be absolutely contrary to the clear and precise rules of the existing legislation.

I avail myself of the opportunity to renew to Your Excellency the assurances of my highest and most distinguished consideration.

(Signed) G. Ponce Enriquez

His Excellency

Mr. Robert McGregor Scotten,

Ambassador Extraordinary and Plenipotentiary of the
United States of America.

TR:JWG:mjp

9:30 AM

Dec. 23, 1944

58

SENT BY SECRET AIRGRAM

AMLEGATION

BERN

The following for McClelland is WEB 337.

With reference to situation in Slovakia, the following information was received from Vatican City:

QUOTE 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 Castel 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 (convenable) 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.

UNQUOTE

With reference to assistance to Jews in Belsenbergen holding Latin American passports, Board is informed by Apostolic Delegate in Washington that Apostolic Nuncio in Berlin took up this matter with the German Government authorities and received a reply to the effect that these Jews, as American citizens, were represented by their own proper protecting powers.

STETTINIUS
(GRW)

WRB:MMV:BM
12/22/44

WE BE GE SWP

CABLE TO AMLEGATION, BERN, SWITZERLAND, FOR MCCLELLAND FROM THE DEPARTMENT
AND WAR REFUGEE BOARD

Attention of Department and Board has been called to the case of Mrs. Frederica (Frieda M.) Muller, nee Halmos, whose last known address is Terez Korut 26, Budapest, Hungary, born in New York in 1894, who lost her American nationality by marriage to Hungarian citizen in 1915, but, since that marriage was dissolved in 1919, may be in a position to regain her American citizenship under Act of June 25, 1936, by taking an oath of allegiance before American consular officer.

Please advise Swiss Government that Mrs. Muller is eligible for exchange under Department's 3082 of September 6, item F, and that until advised to the contrary, she is entitled to protection and treatment as United States citizen pursuant to Department's 1269 of April 13.

It will be appreciated if Swiss Government will take necessary action in this matter vis-a-vis German and Hungarian authorities.

THIS IS WRB BERN CABLE NO. 338.

9:00 a.m.
December 23, 1944

BA:FH;hd 12/22/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: December 23, 1944
NUMBER: 8288

CONFIDENTIAL

The following message is from McClelland from WRB.

Reference Legation's 8044 December 9 and Department's 3927, WRB's 280, November 18.

Concerning second paragraph your message under reference, I have carefully studied all evidence in possession of ICRC to date with regard to distribution of CRISTINA packages and find that it is as satisfactory as could be anticipated under circumstances precluding in POW camps as regular and tight controls.

With the exception of Feldpost zero seven (*) zero two and Bergen-Belsen, in the case of every camp where these packages were sent, ICRC delegates were able to visit and find out from the camp commander and from men of confidence, particularly in a number of camps, that intended beneficiaries received the packages. ~~In~~ ICRC's estimate the most important evidence of successful distribution was constituted by such visits on the part of delegates and their reports.

Returns have been satisfactory, in general, in case of collective shipments where individual receipts were enclosed in packages. For example 3,799 packages to Dachau brought names on receipt cards of over 8000 internees who received this food to Geneva. In a high percentage of cases receipt tags from packages addressed to individuals in Bergen-Belsen have returned, although often they have come back many weeks after package was sent. As in certain concentration camps (Ravensbrueck) no individual internee is permitted to mail out receipt tags, while in others (Buchenwald) only certain categories of internees are allowed to correspond, ICRC points out that percentage of receipt tags or cards returned cannot be considered conclusive check.

Receipts from men or women of confidence are available in some camps as in Ravensbureck's case, from which ICRC received a written statement from the camp commander acknowledging receipt of 2,522 packages of out of 256(?) despatched from Switzerland as well as receiving 7 seven signed receipts from women of confidence of several national groups.

Additional evidence of an indirect nature of satisfactory receipt comes to ICRC in the shape of a large number of postcards from relatives, in particular from Holland, Norway, Denmark and Poland.

As ICRC has evidence that a sufficiently high percentage of packages despatched to Mauthausen do not reach prisoners, they have recently informed me that the committee can no longer undertake to forward packages there.

It is my feeling that the evidence which ICRC places before me is sufficient for us to accept their formal assurance that they will distribute only in camps where they can ascertain to their satisfaction that the major part of packages arrive safely, in the absence of homogeneous control system for packages despatched to unassimilated individuals.

There is no evidence in the hands of ICRC that the commanders discriminate against Jewish prisoners (of which there are many in Buchenwald, for example) inside concentration camps with regard to distribution of packages.

Recently I talked with a young Frenchman who had escaped from the Flossenbug concentration camp and who stated that literally he would never have survived, if it had not been for packages he received through ICRC. Consequently, I make an urgent plea that this invaluable WRB service be continued.

Regarding the proposed World Jewish Congress shipment of 10,000 pounds of clothing for Bergen-Belsen, ICRC expressed sincere hope recently that even though they had been officially denied permission to visit this camp, that the committee would be permitted to ship clothing to Bergen-Belsen.

HUDDLE

(*) Apparent omission.

DCR:MED:MEM

12/27/44

NOT TO BE RE-TRANSMITTEDCOPY NO. 4SECRETOPTEL No. 414

Information received up to 10 a.m., 23rd December, 1944.

1. NAVAL

Last night our coastal forces on convoy route to Antwerp engaged E-boats several of which reported sunk. On 20th aircraft from two of H.M. Escort Carriers attacked warehouses, railway yards and oil installations Belawan Deli on N.E. coast Sumatra. Observation results difficult owing to cloud but oil and petrol cisterns set on fire. Later on, fighters attacked airfields Sabang area and small craft off N.W. Sumatra. One Japanese aircraft shot down. Our forces had no casualties.

2. MILITARY

WESTERN FRONT. On southern flank of breakthrough fighting continues vicinity Bastogne and forward German elements, bypassing the town, have reached St. Hubert and Moiricy. On northern flank situation remains firm. Enemy exerting pressure between Malmedy and Stavelot, while his armoured spearheads are moving westwards towards Hotton and Marche.

ITALY. North of Faenza our troops continue to press on against enemy who is gradually withdrawing.

BURMA. Our forces have advanced further eastwards from Kalewa to a point about 11 miles west Pyingaing where they are held up by mines and road obstacles. Forces advancing down Indaw-Mandalay railway from Wuntho have captured Kawlin.

3. AIR

WESTERN FRONT. 21st/22nd. Politz - 711 tons, Cologne railway centre - 497, Bonn - 552.

22nd. Weather again restricted operations all sectors. 36 Mitchells attacked troop concentrations south of Duren. 341 fighters and fighter bombers (4 missing) operated over the battle area destroying or damaging about 200 rail and road vehicles. An enemy ship left on fire off Dutch coast.

22nd/23rd. Bomber Command sent out 311 aircraft: railway centres Koblenz - 168 and Bingen - 106 (3 missing); bomber support - 37. Preliminary reports: Koblenz - some cloud, visual identification not possible, but flares well placed and attack appeared well directed. Bingen - moderate cloud, but bombing appeared well concentrated.

MEDITERRANEAN. 21st. 84 escorted Liberators (1 missing) dropped 175 tons unobserved on 2 railway centres Rosenheim. 24 Marauders and 269 fighters and fighter bombers attacked communications, etc., Northern Italy. 34 Wellingtons dropped 67 tons on communications Yugoslavia.

12/24/44 ✓

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Summary

From the [illegible]

54
12-24-44

BRIEF SUMMARY

Public statements of prominent persons concerning the reconversion of industry may be divided into two categories.

- (1) Those who have urged that we start some actual reconversion now.

Donald M. Nelson, Maury Maverick, Joseph Keenan, and Clinton S. Golden have advocated immediate reconversion to civilian production even before the termination of the European war in industries where surplus labor and materials are available. They have been supported by Senators Murray, Mead, Truman and George; by labor leaders such as William Green and Walter Reuther of the United Automobile Workers; and by Henry J. Kaiser, Eric A. Johnston (President of the U. S. Chamber of Commerce), Harry Woodhead (of Consolidated-Vultee Aircraft), and George H. Bucher (of Westinghouse Electric). Charles E. Wilson, President of General Electric, and formerly Executive Vice Chairman of the War Production Board, at one time advocated immediate reconversion; at present, however, he is highly critical of those who have supported this position.

- (2) Those who have urged that we start planning for reconversion now.

President Roosevelt, James F. Byrnes, Bernard M. Baruch, and certain other members of the administration, have advocated the preparation of plans and the passage of legislation relating to reconversion so that the nation will be prepared to avoid economic disturbances during the transitional period after the termination of the war. The Senate Committee on Post-War Economic Policy and Planning, Senators Barkley, Vandenberg, O'Mahoney and Kilgore, Richard T. Frankenstein of the UAW, the National Association of Manufacturers, and various industrialists, principally from the automotive industry, have supported this position.

Excerpts

PUBLIC STATEMENTS CONCERNING THE RECONVERSION OF INDUSTRY

(1) Persons Urging Immediate Reconversion

Donald M. Nelson, Chairman of the War Production Board, is reported to have pledged resumption of some civilian manufacture even before close of European war at meeting of nation's top industrialists. Journal of Commerce, January 18, 1944, p. 19.* Although on March 8, 1944, Mr. Nelson warned that it might be from six to eight months after the collapse of Germany before large-scale civilian production would be resumed, he has been fairly consistent in advocating a switch to civilian output wherever there is available manpower and equipment not essential to war production. New York Herald Tribune, March 9, 1944, p. 20. On March 9, 1944, Mr. Nelson asserted:

"If without interference with the war effort we can give a manufacturer in a non-critical manpower area materials and parts to resume production of things the civilian economy needs, I think it is to the public interest that we do so without waiting until another concern in a critical area is permitted to resume production * * * " New York Times, March 10, 1944, p. 21; see also New York Times, July 16, 1944, p. 22.

On August 16, 1944, Mr. Nelson asserted that the fall of Germany will enable American industry to increase non-war production by 30%. New York Times, August 16, 1944, p. 51.

Charles E. Wilson, Executive Vice Chairman of the War Production Board and President of General Electric, recommends to House Special Committee on Post-War Policy that reconversion begin immediately. Mr. Wilson stated that, while it would necessarily have to be done on a small scale, the importance of that fraction of the effort would be indispensable to a return of normal production out of all proportion to its volume. New York Times, March 23, 1944, p. 31. Subsequently, Mr. Wilson was quoted as predicting that 35% of the nation's productive

* All page numbers refer to the Appendix following.

capacity now tied up with war work would be available for peacetime production upon the defeat of Germany. Mr. Wilson also discussed the necessity for a plan for "carrying out essential civilian production coincidentally with war work" by using manpower and facilities freed after a successful invasion. New York Herald Tribune, April 28, 1944, p. 48. (Note that on July 13, 1944, Mr. Wilson expressed agreement with the Four Reconversion Orders issued by Mr. Nelson. New York Times, July 14, 1944, p. 49. However, according to the Washington Post of December 13, 1944, Mr. Wilson presently attributes the "mess we are in as a nation" with regard to war supplies to those who were shouting for reconversion last July.)

Maury Maverick, Chairman of the Smaller War Plants Corporation, urges reconversion plans, stating it essential for small business to consider reconversion to civilian production now, and urged that "we start talking about it and planning now." New York Herald Tribune, January 27, 1944, p. 23. On September 14, 1944, Mr. Maverick declared:

"Speed into reconversion of little business which should have started yesterday, is imperative so as to prevent a dangerous lag in production. So, to emphasize, let small business start in civilian production immediately." The Christian Science Monitor, September 15, 1944, p. 24.

Senator James E. Murray (Dem., Mont.), Chairman of the Senate Small Business Committee, warns that a program must be laid down at once to encourage resumed civilian manufacture by small plants. Attacks argument that it would be unwise and unjust to permit small civilian goods manufacturers to reconvert while their big competitors in same field are still tied up in war work. Statement concurred in by Senator James E. Mead (Dem., N.Y.), active member of the Committee. Journal of Commerce, February 9, 1944, p. 25. Both Senator Murray and Senator Walter F. George (Dem., Ga.) have made continual appeals in Congress in order to expedite action on their Demobilization Bill. On May 31, 1944, Senator Murray urged speedy measures to avoid repetition of incidents such as the Brewster "sit-in" strike. New York Sun, June 1, 1944, p. 26; See also Washington Post, June 13, 1944, p. 27. Joining Chairman Nelson and Senator

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Truman in urging the immediate inauguration of WPB re-conversion plans, Senator Murray stated that the chief opposition came from big industrial interests which "do not want to see smaller concerns resume civilian production while they are tied up with war contracts." Washington Post, July 10, 1944, p. 28.

The Truman Committee's third report urges that industry be permitted to return to unrestricted production of civilian goods as rapidly as materials and manpower not needed for the war become available. Wall Street Journal, March 7, 1944, p. 32; Journal of Commerce, March 17, 1944, p. 33. Senator Truman (Dem., Mo.), siding with Chairman Nelson in manpower controversy, argues that:

"The Army and Navy representatives want to create a surplus of manpower with the hope that the consequent pressure on unemployed workers would result in some of them shifting to occupations or areas in which there is still a (war production) manpower shortage * * * " Baltimore Sun, July 10, 1944, p. 34.

Senator James Mead (Dem., N.Y.), replacing Senator Harry Truman as chairman of the Special Committee to Investigate the War Program, assails military opposition to resumption of civilian production and states that he plans to have the Committee investigate the subject. New York Times, August 12, 1944, p. 38.

William Green, President of the A. F. of L., urges immediate approval of plans "for starting reconversion now, without waiting for the end of the war."

Executive Council of American Federation of Labor seeks immediate acceleration of reconversion program wherever it can be accepted without interfering with the even flow of vital war production.

"America should take heed of the statements of responsible war leaders that the war against Germany may end sooner than expected. If the fighting in Europe ends suddenly the impact upon our domestic economy will be shattering unless preparations are made in advance to cushion the shock." New York Times, August 23, 1944, p. 46.

Robert R. Nathan, formerly with the War Production Board, tells members of the Junior Board of Commerce that if WPB doesn't "loosen up on reconversion orders" the country is faced with post-war unemployment of more than 18 million people. Mr. Nathan said: "The time to start reconversion is now. If the war were to end tomorrow, the country will be totally unprepared to cope with the situation." Washington Star, August 24, 1944, p. 39.

Eric A. Johnston, president of the U. S. Chamber of Commerce, urges immediate conversion on the largest possible scale that will not interfere with the war effort, at a meeting sponsored by the New York Times on March 16, 1944. New York Times, March 17, 1944, p. 30.

Henry J. Kaiser, industrialist, states at a meeting sponsored by the New York Times on March 16, 1944, that the peak of war production has passed; that stockpiles have begun to appear; that war contracts are being terminated every day; and that, accordingly, it would be a blunder to wait until the declaration of peace to begin conversion. Similar views expressed by Walter P. Reuther, Vice-President and Director of the General Motors Division of the United Automobile Workers. New York Times, March 17, 1944, p. 30.

Harry Woodhead, President of Consolidated-Vultee Aircraft Corporation, testifying before War Contracts Subcommittee of the Senate Military Affairs Committee, states there is no reason why companies whose war contracts are terminated or cut back should not resume civilian production. The following other leaders in the air industry joined in urging the adoption of unified cutback policies and prompt termination of war contracts: Eugene E. Wilson, vice chairman of United Aircraft Corporation; Joseph T. Gueting, vice president of General Aircraft Corporation; and J. Carlton Ward, Jr., president of Fairchild Engine and Aircraft Corporation. Journal of Commerce, July 11, 1944, p. 11.

George H. Bucher, President, Westinghouse Electric and Manufacturing Company, declares:

"* * * Reconversion of all our plants to peacetime pursuits should be accomplished in a matter of months." The Washington Post, January 2, 1944, p. 18.

Arthur R. Tucker, Managing Director of the Comptrollers Institute of America, at a meeting of the District of Columbia Control held February 29, 1944, advocates immediate action on the Baruch-Hancock plan, stating that no matter how the plan is effectuated, "the important thing for business and the country is to translate it into action now." The Washington Post, March 1, 1944, p. 29.

Robert H. Wells, President of Corrigan, Osburne, and Wells, Inc., management consultants, predicting the end of European hostilities in the winter of 1944, calls upon business to "begin at once the important task of changing over from war to peace production." New York Times, November 23, 1943, p. 16.

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(2) Persons Urging the Preparation of Plans
for Reconversion

President Roosevelt, in his Budget Message to Congress, states:

"Demobilization begins long before hostilities end * * * just as economic mobilization for total war required many inter-related measures, so adequate reconversion to civilian production will require many inter-related adjustments of fiscal policies, production policies, price policies and labor policies * * * it is therefore imperative to develop a uniform program to deal with the inter-related problems of contract termination, surplus property disposal, and industrial reconversion * * * " The Christian Science Monitor, January 19, 1944, p. 4a.

Bernard M. Baruch and John Hancock, reporting to President Roosevelt on February 18, 1944, in a report entitled "War and Post-war Adjustment Policies," recommended that the War Production Board commence work immediately on an "X-Day reconversion plan," to be put into effect as soon as Germany is defeated. The report also recommended that legislation to assist reconversion be adopted as speedily as possible. Washington Post, February 19, 1944, p. 17.

War Mobilizer James F. Byrnes urges Congress to enact the Murray-George bill before convention recess and to move ahead as rapidly as possible on other phases of reconversion. He predicts that country's war mobilization job will be completed by the end of the summer. Washington Post, June 13, 1944, p. 27; see also Wall Street Journal, June 13, 1944, p. 36.

Jesse Jones warns that the end of the conflict may come suddenly and that all segments of American business had better prepare now for the reconversion period. Mr. Jones stated:

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"The precise day, month or even year when peace will be declared is not for us to predict. However, it is possible that the most disrupting of all wars will end suddenly. There will be no time then to plan calmly and intelligently for a smooth transition from a war to a peacetime economy."
Times Herald, January 3, 1944, p. 3.

Chairman Paul V. McNutt reported accelerating reconversion plans after armed services warn that collapse of Germany may come soon (October 31 set as "outside date") by giving green light to private industry in connection with its reconversion plans and by announcing that small plants will not need WMC approval to go back into civilian production before the defeat of Germany as long as they do not increase their total number of workers. The Washington Post, September 14, 1944, p. 41.

The Senate Committee on Post-war Economic Policy and Planning urges establishment of office of demobilization, and recommends to Congress that speed be exercised in terminating war contracts and disposing of surplus government property. The Committee's report stated, in part, as follows:

"No planning for conversion to peace should be permitted to interfere with the prosecution of the war * * * (or) be construed as optimism over the early ending of hostilities. However, it is not believed that the making of plans for reconversion to peace will in any way interfere with the all-out mobilization effort."
New York Herald Tribune, February 10, 1944, p. 5.

Senate Majority Leader Barkley (Ky.) and Senator Reynolds (Dem., N.C.) telegraphs absent members of Senate Military Affairs Committee to return to Washington at once to consider reconversion legislation. Wall Street Journal, August 1, 1944, p. 37.

Senator Arthur H. Vandenberg, (Rep., Mich.) demands that Congress, instead of taking a three-day summer recess, buckle down to reconversion and demobilization problems. Washington Post, July 29, 1944, p. 12. After conferring with Senator Taft (Rep., Ohio) and acting Minority Leader White (Rep., Me.) Senator Vandenberg told reporters:

"Our opinion is that it is absolutely vital that Congress should conclude the reconversion legislative program with the least possible delay, because the battle news is at least sufficiently encouraging to require that the home front should be ready for the economic impact of a German defeat." Wall Street Journal, August 1, 1944, p. 37.

Senator Joseph C. O'Mahoney (Dem., Wyo.) declares at luncheon of the New York Sales Executive Club on February 15, 1944, that complete victory over both Germany and Japan "is much closer than most of us imagine" and that it behooves American industry to speed its plans for reconversion to peace-time output. New York Times, February 16, 1944, p. 6.

Senator Harley M. Kilgore (Dem., W.Va.), author of comprehensive demobilization measure, calls for speedy action on reconversion legislation. Washington Post, July 29, 1944, p. 12.

Representative Forrest A. Harness (Rep., Ind.) tells House on December 17, 1943, that the very existence of American business and industry depends upon the solution of problems relating to postwar demobilization. Introduces bill for establishment of eight-man reconversion board. Journal of Commerce, December 18, 1943, p. 2.

Richard T. Frankenstein, Vice President, U-A-W C.I.O., urges immediate adoption of Kilgore bill for reconversion in order to assure full employment following surrender of Germany. New York Times, July 28, 1944, p. 50.

War Veterans of United Automobile Workers, C.I.O., close two-day national conference with adoption of resolution urging establishment of board to plan reconversion of industry. New York Herald Tribune, April 8, 1944, p. 7.

National Association of Manufacturers at its Second War Congress asks prompt conversion plan and warns that prompt solution of transitional problems by government is essential for realization of American industry's postwar plans. Journal of Commerce, December 10, 1943, p. 1.

Alfred P. Sloane, Jr., Chairman of General Motors Corporation, issues a statement on March 25, 1944, declaring it extremely important that the time of reconversion of the automotive industry be held to a minimum because delay will cause unnecessary unemployment; and further declaring that while "the first and vital job continues to be the winning of the war, management also has the responsibility of planning for reconversion." Mr. Sloane stated:

"If, for example, the war in Europe should end before the war in the Pacific, it undoubtedly would be necessary to proceed with reconversion on a basis of dual operations. Sharp curtailment of war production following the cessation of European hostilities would permit and require that manufacturing facilities no longer needed for war purposes be reconverted promptly * * *." New York Times, March 26, 1944, p. 47.

Eugene E. Wilson, Vice Chairman of the United Aircraft Corporation, tells the New England Council Conference that there must be an early solution of such reconversion problems as contract surplus disposal and the use of Government plants. Journal of Commerce, June 17, 1944, p. 10.

Leaders of automobile industry expect recall to Washington to work out automobile reconversion plan as a result of growing expectations that German collapse may come much sooner than was anticipated. New York World Telegram, August 8, 1944, p. 44.

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Henry E. Bodman, counsel for the Automotive Council for War Production, tells American Academy of Political Science that immediate decisions and prompt action must be taken on reconversion. New York World Telegram, April 12, 1944, p. 8.

George Romney, managing director of the Automotive Council for War Production, urges immediate formulation of administrative procedures and legislation so as to make possible industrial reconversion. Journal of Commerce, September 9, 1944, p. 13; see also subsequent statements in New York Times, September 22, 1944, p. 14, and Chicago Sun, October 4, 1944, p. 15.

Ernest Angel, President of the Council for Democracy, in a letter to the New York Times, dated July 1, 1944, discusses a letter written on May 12, 1944, by Bernard M. Baruch and John M. Hancock, authors of the Baruch-Hancock recommendations for the transfer from war to peace. He states that Baruch and Hancock admonish the administration to "hurry, hurry, hurry" with actions to carry out their recommendations which were submitted in February. He quotes at length from the letter to emphasize his own recommendations, and reminds the reader that Churchill has predicted that the war may end this Fall. He agrees with Baruch and Hancock that Congress should push surplus property disposal legislation, that definitive action be taken on planning for a cancellation of war contracts, and that Congress act promptly on war contract termination legislation. New York Times, July 5, 1944, p. 16, col. 6 (Microfilm).

Leo M. Cherne, Executive Secretary of Research Institute of America, urges immediate need for reconversion planning by government and business to protect against industrial disorder. Mr. Cherne stated: "German disintegration is not being over-emphasized in this country. If anything it is underemphasized. Early victory over Germany and a shorter subsequent stage of the Japanese war have immediate basic effects on all industrial activity. Munitions stockpiles need not be great. Depletion of reserves available against European needs is far smaller than ever contemplated. Cutbacks after X-Day will be greater than heretofore talked of." New York Times, July 27, 1944, p. 42.

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Charles T. Lucey, Scripps-Howard Staff Writer, states that recent Allied gains give rise to fears that Government's industrial reconversion program will not be ready when Nazi collapse comes. Washington Daily News, August 14, 1944. p. 45.

The New York Times, commenting on early end of congressional recess, states:

"The good news from the fronts and the evidence of serious dissension within Germany have crystallized in the minds of the leaders of both parties the need for immediate work" [on reconversion plans].
New York Times, July 31, 1944. p. 43.

Appendix

platform for the Post-War
 period Urges U.S. Action
 in Transitional Program

warning that prompt solution
 critical transitional problems by
 Government is essential for the
 realization of American industry's
 post-war plans for opportunity,
 peace and freedom, was issued by
 the National Association of Manu-
 facturers yesterday at its Second
 War Congress.
 The warning was contained in the
 platform of the association,
 which it adopted yesterday under
 the title "Today, Production for
 Victory; Tomorrow, Opportunity,
 Peace, Freedom." The program for
 the war and post-war periods was
 adopted by a resolutions commit-
 tee of sixty-two members, headed
 by John Holmes, president of Swift
 Co.

After reviewing the achievements
 of free private enterprise in build-
 ing America with the highest
 standard of living, the platform
 states that this enterprise system
 is capable of repeating its achieve-
 ment in peace time through a high
 rate of production and distribution.

Transitional Planning Urged
 "But American industry knows
 and has a duty to tell the American
 people that it will be impossible to
 solve post-war opportunity and jobs
 problems of the transition
 period—reconversion from war to
 peace—are solved wisely.

"Employment in industry will be
 needed up if wartime controls are
 ended as soon as practicable after
 hostilities cease, if wartime taxes
 are then reduced, and if the Govern-
 ment pays its debts promptly
 when it cancels a contract. Em-
 ployment will also be increased if
 Government makes clear that it
 will not operate plants in competi-
 tion with private industry and that
 surplus war goods will not be
 dumped on the market.

"If these and other reconversion
 problems are solved promptly, then
 American industry can move for-
 ward again with confidence. Other-
 wise, the best of plans for the fu-
 ture cannot be converted into op-
 portunity and jobs. Freedom itself
 might be lost."

The program made six definite

recommendations to the American
 people for getting back on the road
 of "Opportunity-Jobs-Freedom" in
 the post-war years:

(1) Work together. Friendly and
 co-operative relations should exist
 among all Americans. Between
 Management and Labor. Between
 Industry and Agriculture. Between
 Government and Business. There
 must be no pitting of group
 against group. The ends sought
 are common to all.

(2) Make Government one of
 laws and not of men. America
 must reject all efforts to stand-
 ardize human beings in a bureau-
 cratic planned and controlled econ-
 omy. The sound formula for na-
 tional progress is the power and
 dignity of the free man, shaping
 his own destiny by his own self-
 reliant efforts. This is the way
 America achieved greatness in the
 past and can add to that great-
 ness in the future.

Incentives Seen Basic

(3) Develop new frontiers. The
 road must be cleared for venture
 capital so that business—old and
 new—large and small—may provide
 the consumer with new and better
 products, and the men and women
 of America with new and better
 jobs. Technical and scientific
 progress must continue.

(4) Reward accomplishment. Men
 and women, be they workers, man-
 agers or owners, should be re-
 warded in relation to their produc-
 tive contributions. And those who
 so contribute must not be deprived
 of their rewards by taxes that de-
 stroy incentive. Tax laws that
 penalize success should be repealed.

(5) Restore constitutional govern-
 ment. Legislative powers must be
 returned to legislatures. The checks
 and balances inherent in our Amer-
 ican system of constitutional gov-
 ernment must be restored.

(6) Establish and maintain peace.
 Prosperity cannot endure with
 wars and threats of wars through-
 out the world. Our country should
 do its full share together with
 other nations in making effective
 international co-operation that will
 bring about and maintain world
 peace, so that the young people of
 America should never again be
 called upon to offer their lives in
 battle.

These are the elements that will
 provide the framework necessary

for post-war opportunity—jobs—
 freedom for the American people.

Within this framework American
 industry can provide the high level
 of business activity warranted by:
 The vast backlog of demand for
 goods and services.

The new processes and new prod-
 ucts.

The great productive capacity of
 America at work.

The tremendous potentialities of
 domestic and world markets.

Let there be no misunderstanding
 of the post-war plans of American
 industry. The program that is
 proposed will not provide some-
 thing for nothing. Rewards must
 be earned, not given—so the pro-
 gram offers opportunity instead of
 a free ride, productive work in-
 stead of "made jobs," self-respect
 instead of alms.

Opportunity—Jobs—Freedom . . .
 for people all over America. With
 progress at home and peace abroad
 the whole national economy will
 prosper. This is the only way to
 attain progressively higher stand-
 ards of living and sound economic
 security.

This is a program for all Ameri-
 cans. The goals can be won—by
 working together. And out of this
 unity will come a stronger, finer,
 greater America.

To the wartime pledge of Produc-
 tion for Victory, American industry
 adds this peacetime pledge:

"To do everything within its power
 to produce and distribute better
 goods in greater volume at lower
 prices to more people, to make op-
 portunity and jobs available to
 everyone, to help restore and pre-
 serve freedom."

The program states that Ameri-
 can industry, producing for victory,
 is looking to the future. In plan-
 ning ahead, industry has developed
 a program for a better America,
 "one that will be worthy of the
 sacrifices that are being made by
 our men on the fighting fronts and
 one on which all citizens can unite.
 The program is designed to provide
 opportunity—jobs—freedom, so that
 men and women all over America
 may attain higher standards of liv-
 ing and sound economic security
 in a land that is free. Industry
 aims to achieve those goals, the
 program states, by holding to the
 sound principles of the Constitution
 and the Bill of Rights, and by stay-
 ing within the framework of free,
 competitive, private enterprise.

DECEMBER 18, 1943

DEC 18 1943

Reconversion Board Proposed

Journal of Commerce
Harness Seeks Eight-Man
Unit to Handle Postwar
Surplus Goods Sales

(Bureau of Journal of Commerce)

WASHINGTON, Dec. 17.—A bill providing for the establishment of an eight-man "reconversion board" and stringently limiting the postwar sale of Government-owned materials was introduced into the House today by Representative Forrest A. Harness (Rep., Indiana).

The bill provides that:

1. The President shall appoint a reconversion board composed of four representatives from industry and a representative each from the Army, the Navy, the RFC and the Treasury.

To Hold Strategic Materials

2. Strategic or storable materials of all kinds owned by the Government at the end of the war may not be sold for a period of three years. Authority to sell up to 10 per cent of stocks of such surpluses is given the Reconversion Board if a serious shortage in any strategic material develops or if there is threatened spoilage. No sales of any materials may be authorized by the board at more than the market price.

3. All plants which the Government will own outright at the close of the war (excluding all those war-built plants on which private industry holds options to purchase) may not be operated by the Government, but must be held as stand-bys for national security purposes. If they are deemed absolute surplus at the end of five years, they may be sold or scrapped at the discretion of the board.

"This measure suggests in a general way the mechanics to be applied in the disposition of the tremendous quantities of materials and supplies of every conceivable sort which our Federal procurement agencies will inevitably find on hand when this war ends," Mr. Harness told the House.

Must Map Plans Now

"Upon the solution of this and the numerous related problems of postwar demobilization depend the very existence of American business and industry," Mr. Harness said. "If we fail to plan intelligently now we are risking a flood of surplus materials and supplies in our domestic markets at the end of hostilities."

"The flood can be so great that it would simply engulf and destroy these markets right at a time when our industries are struggling with the problems of winding up production for war and getting back to normal peacetime production," he continued. "This problem affects every American."

JANUARY 8, 1944

Times-Herald 5 * A3
**Jones Urges
 JAN 8 1944
 Reconversion
 Planning Now**

By PHILIP WARDEN

Jesse Jones, Secretary of Commerce, feels that it is imperative that all segments of business start immediately to prepare to reconvert to peace.

Jones ventured no prediction when the war would end, in an article written for the January issue of Domestic Commerce, Commerce Department publication, but made the following observation:

"May End Suddenly"

"The precise day, month or even year when peace will be declared is not for us to predict. However, it is possible that the most disrupting of all wars will end suddenly. There will be no time then to plan calmly and intelligently for a smooth transition from a war to a peacetime economy."

Jones emphasized in the article that small business firms in particular should make plans now for the war's end. He noted that some of the larger businesses and certain civic organizations were progressing with their post-war plans, saying:

"To be sure there are many wholesome signs that postwar plans are in progress. Top-flight members of the free enterprise system and civic and business organizations are already hard at work seeking the solutions to apparent problems before they arise."

Worried About Small Firms

But what of the thousands of smaller business firms without any affiliation with groups and lacking adequate managerial skill to plan for their future? What is happening to that basically American characteristic—private initiative, the quality that impels men to broaden their vision, take risks?" Jones asked.

It is significant to note at this point that the major production and consequently the larger share of profits are in the hands of big business. These facts are perfectly natural in a wartime economy. Only the highly organized larger industries of our country could have wrought the conversion and production miracles that we are already taking for granted. And only through such miracles have we been able to collect and advance in offensive warfare.

Individual Concerns Important

"However, it now behooves us to give careful thought to all business outside the inner circle of our highly profitable present economy," Jones declared.

He asserted that places must be found in our economy for some 2,750,000 individual concerns now mainly employing some 3,350,000 workers. Without these small businesses, he said, the larger firms would cease to function smoothly and prosper as they have in the past.

Jones declared that government, big business and private enterprise must make postwar plans now for the little fellows. But to make these plans work, he said, "there must be a virile, courageous and revitalized upsurge of private initiative."

DECEMBER 27, 1943

Tomorrow's Job *Washington Daily News*

Baruch to Urge Reconversion Be Started Before War Ends

By E. A. EVANS

DEC 27 1943



Mr. Baruch

Bernard M. Baruch's forthcoming report will take the position that reconversion of American industry can and should begin now and be far advanced before the war ends. It probably will be submitted soon after Jan. 1.

In effect, Mr. Baruch is expected to advise the Government that many so-called post-war problems are becoming urgent wartime problems and that there should be no delay in grappling with them.

He and his associates realize fully that the invasion of Europe probably will mean the most difficult military effort in history, with desperate fighting and long casualty lists. They are keenly aware of the necessity for home-front support of this effort, and nothing in the report will encourage complacency among civilians.

But they are said to be convinced that steps which it is possible to start taking now can do much to overcome fear of economic chaos and mass unemployment after the war, and so to uphold morale on the fighting fronts and the home front alike.

The report, therefore, is expected to advocate that industries be given all possible encouragement to work back toward normal output of civilian goods just as fast as they can be spared from war production and as materials and manpower can be released from war work.

PICTURE CHANGING

The picture is changing rapidly. Until recently the need was to increase rates of war production. From now on it will be, for the most part, to maintain rates which have been attained, and in some cases these can be decreased. Shortages of many critical materials have been overcome. It is expected that many more war contracts will be cancelled, even before Germany surrenders.

The Baruch report, it is predicted, will recommend much closer co-operation of contracting agencies—the Army, Navy, Maritime Commission and others—with the War Production Board in cutting back production programs.

The idea would be to make such reconversion as can take place during the war an orderly rather than a haphazard process. The WPR, taking available manpower, materials and other factors into consideration, would guide the agencies in cancelling contracts.

DIFFICULTIES FORESEEN

At best, many difficulties are foreseen. For example, it may become possible and desirable to let some manufacturers go back to civilian production while their competitors are still needed in war work. Desire to avoid unfairness in such cases has led to some consideration of quota systems. The Baruch group is determined to protect industries against being penalized because they are required to produce for the Government instead of for civilian customers.

The report also is expected to urge intensive efforts to simplify the war-contract structure, especially by reducing the number of sub-contractors, and to embody a standard cancellation clause in all present and future contracts in place of the differing clauses heretofore used by the various agencies.

Many sub-contractors, it is pointed out, undoubtedly would welcome opportunity to return to their normal activities. To enable as many as possible to do that would lessen pressure and confusion when the war ends and practically all remaining contracts are terminated abruptly.

PROMPT SETTLEMENTS

The report will advocate promptly negotiated cash settlements when contracts are cancelled, either during or after the war, so that the contractors may have working capital for reconversion. Many industries, Mr. Baruch is reported to believe, will need 80 per cent or more of the money owed them by the Government within the first few weeks after their war work ends.

It is recognized that the main job of turning the war production machine back into full peacetime usefulness will remain to be done after Germany and Japan are defeated. But the thesis of those working on the Baruch report is that much can be done now to protect the national economy during the transition already in progress, and to insure an easier final shift to high civilian production and employment.

Reconversion Awaits Settling of 3 Problems

1/2/44
By Harold Fleming
By a Staff Correspondent of
The Christian Science Monitor

NEW YORK—Due perhaps to the executive genius of Mr. Bernard M. Baruch or perhaps to the circumstances themselves, the spade-work of preparing for the day of general industrial reconversion to peacetime seems to have been divided into three main categories and it is well for them to be so considered by the layman in this tripartite form. In his budget message the President more than once referred to the three interrelated problems, and in fact the Baruch-Hancock team or Postwar Committee is taking the matter up in a sequence of three subjects.

They are (1) contract termination; (2) disposal of surplus war materials; and (3) the financing of reconversion. Or in other words, how will industry be paid for its war work, what will the government do with the remainder, and where will the money come from to start up peace production on a big enough scale?

And as the President pointed out, these problems are closely related.

All hands apparently agree that there is no time to be lost. Said the President in his message, "Demobilization begins long before hostilities end . . . the problems of adjustment cover a wide range . . . to achieve this there must be concerted effort . . . just as economic mobilization for total war required many inter-related measures, so adequate reconversion to civilian production will require many interrelated adjustments of fiscal policies, production policies, price policies and labor policies . . . It is therefore imperative to develop a uniform program to deal with the inter-related problems of contract termination, surplus property disposal, and industrial reconversion. . . ."

Promptness of the Essence

And Mr. Baruch said recently, "If we don't get this worked out, we'll be worse prepared for peace than we were for war—and that was bad enough."

And Undersecretary of the Treasury Bell said last month about contract settlements, "A dollar paid out in the settlement of war contracts during the early reconversion period may—in terms of national well-being—be worth several dollars paid out a year or so later. It is far more important . . . that the settlements be prompt than that they be accurate in the last dollar."

This is particularly true of con-

tract termination, which is probably why the Baruch committee tackled it first. When Mr. Baruch went to work, a half dozen government agencies had a half dozen different ideas as to how contracts should be terminated. So one of his first acts was to help set up a "Joint Termination Board" of members of Army, Navy, Maritime Commission, RFC, FEA, and Treasury.

The goal is of course to get the formulas of ultimate payment on war contracts settled as soon as possible so that war industry managements in particular (always called "contractors" in stories on the subject out of Washington) can know how much they will get and will be able to get it in a hurry.

When the day of victory comes the front pages and the air waves will be full of jubilation over victory and puzzlement over the military and economic situation in the defeated lands, but war plant "front offices" will be feverish with discussion over what happens next.

Two Big Questions

The problem is to have settled in advance as far as possible the answers to the two "big questions". Mr. Baruch proposed to a Senate Committee. They were, first, "If I'm a contractor doing war work, how do I get my money when the war ends and the Government decides that it doesn't need my tanks or shells or planes?" and second, "If I'm a soldier who has been discharged after the war, how can I get my job back if the factories aren't making any more tanks or shells or planes and haven't begun making anything else?"

More specifically the problem is to determine as far ahead as possible so much of the settlement terms that most of the settlement can be instantaneous and the "contractor" or war industry can get its money. The alternative is for him to borrow or let his people go—or both.

An instance of the difficulty came up last fall with the long tussle over the role of the General Accounting Office. What GAO apparently wanted to do was to audit every item—millions of them; and what everybody else was afraid of was that for fifty cents' worth of fraud prevention everybody from disbursing officer through war industry to unemployed war worker and demobilized soldier would have to stand around and wait for the GAO auditors to go through all the accounts.

First product of the Baruch studies, therefore, is a "uniform termination clause." It is a formula

for the fine print of war contracts, outlining who gets what and why if the contract is suddenly terminated.

Only Hits High Spots

It only hits the high spots. It fixes a maximum profit—the word is maximum—of 6 per cent on articles begun but not completed. It fixes a 2 per cent profit on inventories not yet used up when the contract gets the ax and the machines are stopped. Some people say it is liberal—if the government buyers finally grant the maximum. But it seems to have obtained general approval and now the Baruch Committee, without stopping on the many ancillary or side-issues in "contract termination," has gone on to the second of this trinity of problems—surplus disposal.

Still unsolved therefore in contract termination are many items. Among them is the very tough one of "over-all, or company, settlement." Some big companies have hundreds—even thousands—of separate contracts. One over-all settlement would be speedy, and save audit work. But then there is the risk that some left-wing business-baiting group would get hold of an instance in which some company got too much on one contract (ignoring the fact that this may have been offset by a loss on another) and then somebody's name would be scandalized in 1946.

Another contract termination problem is how to arrange for the payment of subcontractors. Still another problem is that of educating both procurement officers and contractors themselves on the intricacies of these settlements. The layman hardly realizes how involved they are.

The Army has just graduated over 100 men from a two-week's course on the subject and now operates a regular education mill for the purpose. Another problem is appeal procedure, in case the contractor wants to argue. The more this is simplified the better. The last of the appeals from World War I contract settlements are only now being processed by the courts.

(To be continued.)

FEBRUARY 10, 1944

Senate Report Asks Post-War Free Enterprise

FEB 10 1944

Planning Committee Urges
Promptness in Conversion
of Industry to Peace Basis

By John Chabor Smith

WASHINGTON, Feb. 9.—The Senate Committee on Post-War Economic Policy and Planning urged Congress today to set up immediately an office of demobilization with full authority over the reconversion of industry to peacetime production after the war, and recommended that the reconversion policy be designed primarily for "the preservation and strengthening of the American system of free competitive enterprise."

To that end, the committee recommended that speed be made a primary consideration in terminating war contracts and disposing of surplus government property. Any financial loss to the government resulting from the summary methods the committee proposed would be more than made up by the gain in revenue resulting from a prompt return to full production, the committee said.

Senator Walter F. George, Democrat, of Georgia, chairman of the committee, said that a bill covering contract-termination procedure would be introduced in a few days, and that a general bill embodying all the recommendations of the committee's report would be prepared soon, probably within two weeks.

"No planning for conversion to peace should be permitted to interfere with the prosecution of the war . . . (or) be construed as optimism over the early ending of hostilities," the report said. "However, it is not believed that the making of plans for reconversion to peace will in any way in-

terfere with the all-out mobilization effort. It is the aim of this committee to set up machinery not only to co-ordinate all of the planning for peace, but to co-ordinate that planning with the planning of the war."

The committee said that in order for government agencies to make the necessary plans for reconversion, it was "imperatively necessary that whatever legislation is to be passed be gotten under way at the earliest possible moment."

The salient points of the report, which covered a wide range of details, were as follows:

Congress should "retain in its hands the settlement of the broad basic problems of the demobiliza-

Senate Report

(Continued from page one)

tion period out of which the peace economy will arise." Delegation of power to executive agencies was unavoidable in war time but should be ended with the coming of peace, the committee said.

The director of the proposed office of demobilization should report to Congress every three months, and should report every thirty days to a committee of three Senators and three Representatives. This committee should also attend all meetings of the full-time board of experts to be appointed by the director. The director would be appointed by the President, subject to confirmation by the Senate, and would hold office for two years subject to reappointment.

Surplus government property should be disposed of in such a way as to encourage competitive enterprise and small business, and to discourage monopolies. Fac-

ories, tools and products should be sold to private industry wherever possible, but they should not be unloaded in such a way as to cause overproduction or oversupply of civilian goods.

The office of demobilization should be subject to the control of the Office of War Mobilization until hostilities cease, and thereafter should be responsible only to Congress. It should have the power to issue orders to other government agencies regarding reconversion policies; it should survey government property, and establish a uniform policy and procedure for terminating contracts.

Claims under terminated contracts should be settled quickly by negotiation, with mandatory advance payments up to 90 per cent of the claim, subject to a penalty of 1 per cent a month of claims found to be excessive. Liberal provisions for loans also are recommended.

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NEW YORK TIMES
FEBRUARY 16, 1944

SPEEDY CONVERSION URGED BY O'MAHONEY

By I. F. Pines

Tells Sales Group Victory in
Europe, Far East Is Closer
Than Most Imagine

FEB 16 1944

3 CHOICES OPEN TO U. S.

They Include Free Enterprise,
Totalitarian Regime, Cartel
System, Senator Says

Asserting that complete victory over both Germany and Japan "is much closer than most of us imagine," Senator Joseph C. O'Mahoney of Wyoming declared here yesterday that it behooves American industry to speed its plans for reconversion to peacetime output. He spoke at the luncheon of the Sales Executives Club of New York in the Hotel Roosevelt.

Speaking on the subject of economic freedom in the post-war world, Senator O'Mahoney warned that the end of hostilities will force the United States to make a choice between a capitalistic system of free enterprise and maximum production which guarantees a job to all who seek employment, a totalitarian regime dominated by centralized governmental planning for industry and individuals, and a system of managed economy in which cartels would fix prices and regulate production without government control. The latter two, he added, would destroy the freedom of the individual in this country.

Senator O'Mahoney said he based his opinions regarding the possible duration of the war on the failure of Japan's navy to prevent penetration of her Pacific island empire by the numerically outnumbered United States Navy, as well as on the expectation that Germany would not be able to withstand the Russian army in the west and the constant American and British bombing of her production centers.

He regarded it as very significant, he said, that in the recent occupation of the Marshall Islands by United States forces not a single Japanese battleship, cruiser, aircraft carrier or submarine would accept the challenge of battle. "The tables have been turned since Pearl Harbor," he declared.

An interesting fact about the war with Japan, according to the Senator, is that the United States now has floating dry docks in the Pacific built at a cost of \$25,000,000 each. Terming this "a truly new development in naval warfare," he added that it took 250 men one and a half years to draw the plans for the first floating dry dock equipped with machine shops, cranes and complete facilities for repairing battleships.

Turning to the peacetime production task facing American industry under a capitalistic system of free enterprise, Senator O'Mahoney warned against thinking that the pent-up demand for consumer goods will be sufficient to enable industry to slip easily into a peacetime economy. Emphasizing the necessity for providing maximum employment, he reminded his listeners that American industry in 1940 produced more in goods and services than it had ever produced before in a single year, including the boom year of 1929, and yet there were 9,000,000 unemployed in the country during that year.

For the post-war, Senator O'Mahoney urged consideration of the premise that by building up the income of the masses of people they would be enabled to buy the things they want. "We cannot hope to build a future for a free economy merely upon the sale of the necessities of life," he added. "We have to make up our minds that we are going to sell the luxuries of life and make it possible for 130,000,000 people to buy those luxuries."

The luncheon was attended by approximately 300 sales executives and guests. Dr. Paul H. Nystrom, president of the group, presided. Senator O'Mahoney was introduced by Paul West, president of the Association of National Advertisers.

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N. Y. Times

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APRIL 8, 1944

**War Veterans of U. A. W.
Urge Planning for Peace
Propose National Production
Board for Reconversion**

WASHINGTON, April 7.—The United Automobile Workers, Congress of Industrial Organizations affiliate and the largest union in the country, closed a two-day national conference of U. A. W. war veterans today with adoption of a resolution urging immediate establishment of a national "peace production board" to plan, organize and direct re-conversion of industry from war to peace.

The delegates, all veterans of this or the last war, also proposed a standard thirty-hour week at forty-hour pay to assure jobs for all in the post-war era; creation of a vast public works program, emphasizing housing, "not as a glorified W. P. A. but as a permanent part of a healthy, expanding economy," and Federal operation of government-owned plants in monopolistic or semi-monopolistic industries strategic to national welfare and defense."

APRIL 12, 1944

Urgent Need Seen For Prompt Action On Reconversion

**Bodman Fears Chaos
If Contracts Are
Subject to Revision**

Plans for reconversion of industry after the war should be made now to avert "the longest breadline in our history," Henry E. Bodman, counsel for the Automotive Council for War Production, told the American Academy of Political Science in the Hotel Astor this afternoon. Half of America's entire industry would shut down with a sudden end of the war, he declared.

Prompt, final decisions must be made on clearance of government property from plants and settlement of war contracts, Mr. Bodman said. If only temporary settlements are made and they have to be reviewed by another agency, the termination procedure will be slowed down and postwar employment seriously retarded, he asserted.

Sees War Effort Slowed.

"The proposal that no settlement shall be final until approved by the General Accounting Office is at variance with the purpose for which that office was created," said Mr. Bodman.

"To transfer the power to negotiate contracts or settlements out of the armed services to the General Accounting Office during the war period will, of necessity, interfere with the conduct of the war."

"Contracts are being terminated almost daily and replaced by other war contracts. If these terminated contracts cannot be settled by the armed services, particularly with respect to the disposition of materials that may be required for other war contracts, or which should be scrapped and renewed to make way for other war work, and with respect to the amount payable to subcontractors and suppliers until the General Accounting Office has had six months to review these matters, the war effort will be seriously impeded."

Against Reviews.

Mr. Bodman declared that settlements should be final, when once made and not subject to be reopened, except for collusion or fraud.

The executive and legislative branches of the government are making "serious and commendable" efforts to assure prompt reconversion to a peacetime economy, he said. He approved the Baruch-Hancock suggestion that a joint committee of the Senate and House, in co-operation with the Executive Department, should decide upon one termination bill and urge its passage.

Reconversion Laws Demanded Now at Governors' Parley

Kelly of Michigan Calls
Issue Next in Importance
To Winning War

By GOULD LINCOLN,

HARRISBURG, Pa., May 26.—Addressing the Governors' Conference today, Gov. Harry F. Kelly of Michigan, the State which manufactures one-tenth of Uncle Sam's entire war production, called on Congress to enact, without further delay legislation for an orderly reconversion of industry to peacetime production when the war is won.

The meeting of the Governors, at which Bernard M. Baruch, adviser of the Office of War Administration, was a special guest, was held in the Senate chamber of the State capitol. With the exception of the speech of Gov. Kelly, who presided, the proceedings were "unexciting."

The Michigan Governor insisted that neither the State, local governments nor industry can make their plans until the policies of the Federal Government are determined.

Peace Declared This Day

Pointing out that 10,000 prisoners already have been taken, Gov. Kelly said the average time for settlement between the Government and the contractors was between six and eight months.

"Clearly, this is too slow a pace to meet problems which will arise when we push out of a manpower shortage a potential manpower surplus," he said.

Gov. Kelly praised the Baruch report, but said its recommendations on industrial particulars are still awaiting action.

That report, he said, recommends that everything being done by the executive branch of the Government should be brought together under a "single, uniform mind," and that Congress should have a single committee to deal with legislation dealing reconversion.

"Congress must act," Gov. Kelly said. "Executive orders which can be changed every 24 minutes are not enough. Congress must consider legislation on this subject as second only to legislation necessary to winning the war."

Creation of Committee Urged

"We are sure at the mercy of Congress. We cannot plan for reconversion until Congress acts."

The Michigan Governor recommended the creation of a committee to help in close contact with the problem of reconversion of industry.

The Governors came to Harrisburg early today from Lansing, where at their state dinner last night they listened to Gov. Thomas E. Dewey of New York, president-elect, Dean Roosevelt for President, predict that a united American people will go forward to greater things.

O'Connor Discusses Security

At the same dinner, Gov. Herbert R. O'Connor of Maryland, discussing social security in the postwar era, attacked centralization of power in the hands of the Federal Government and urged the States to restore and resume their full responsibilities to the people. It was a forthright States' rights speech.

Gov. Dewey told his audience that the domestic affairs of the Nation must be so managed in the future as to prevent "the centralization which brought totalitarianism to our shores."

He strongly urged, too, that American postwar foreign policy be so conducted that disaster like the present war shall not recur.

The New Yorker said that the States have individually and collectively met the challenge of war.

"The result," he said, "is the building of a tower that goes down the ruins of America."

Revival of Growth

"It is a revival of growth—the stimulus of growth in a democracy. It is a new willingness to face the future without prejudice, with open eyes and eager minds. It is a determination to do a good job and not to pass the buck. This is not a matter of States' rights. It is a matter of affirmative acceptance of local responsibility. It is significant that the members of this group of Governors are largely in early middle life. You are not tired yet. You are fresh for great tasks ahead."

"With the help of the driving influence of the men in this room, there will be determination, nerve

(See GOVERNORS, Page A-2)

Governors

(Continued From First Page.)

to prove that centralization of national power which would wipe out our republican system and substitute a dictatorial totalitarianism. There will be no reaction after the war. America never goes backward. There will be no surrender to aggressions of power either in civil life or in Government. Our country always has, and it always will, look forward, because its people are free men and women determined to remain free.

"The lack of national leaders is not to be held as part of the American people's mistake in the recent struggle about totalitarianism. The lack is to be unity in peace, as in war, to keep and build our nationhood both in democracy, in our country and in our God. The evidence is overwhelming that the new compromise, the new acceptance of responsibility shown by the Governors of the States reflects a new determination by our people that the freedom we have won at war shall be re-established and maintained in peace."

Unity of American People

Emphasizing the present unity of the American people, Gov. Dewey said: "First of all there is unity in the war. The people of this country are determined to stand up to this war, in win it on all fronts and to win it decisively and at any necessary cost."

"Military affairs are being conducted by trained and efficient commanders. The superb achievements of our United military and naval leaders have won and they continue confidence of all our people."

"But the civilians must find their own efforts and sacrifices to be additive to the limited war capacity. They are worried about Methodism and thinking that what goes on in the rest of the world. Labor and industry are performing valiantly. But every resource of labor and management must be joined and directed harmoniously to insure the earliest victory and the quickest possible return of our youth. This is one fundamental upon which we as a people are united."

Must Not Sit on Sidelines

"Our people are united upon the proposition that our foreign affairs must be so conducted that America like the present one will not recur. We shall have to pay more attention than heretofore to what goes on in the rest of the world. These few, in a generation, trouble-shooters have been allowed to grow until they became vast organizations that engulfed us. We must not again sit on the sidelines as mere observers or commentators, while future battles and futures and war begin grow strong and perfect their plans for aggression."

"We are now united in the fresh determination to keep our Nation great. Our founders conceived this Nation as one destined to be a beacon light to all the world. For 160 years we moved steadily forward to realize that great vision. We created here a society which demonstrated how five men could work together productively in an atmosphere of intellectual stimulation and of spiritual enlightenment."

"Then in the years before the war while the murkiness of peace was possible, we experienced 10 years of retrogression in many important respects. During those years we lost confidence in ourselves. We had a 10-year depression, ended only by the fourth and deadly stimulus of war. We had never before experienced a depression from which we did not quickly rebound to greater progress. No material reason was adequate to explain what had happened."

Vital Problem of Time

"The means by which our present unity in war can be preserved in the years to come is the vital problem of our time. It seems to me that much of our disaster in war has come from the sense that every individual citizen had a personal job to do. While there has been a sense of responsibility, some leadership, some sacrifice, our strength as a nation has come wholly from the genius of our free men in industry and the devotion of our workers and our farmers to their jobs."

"Our disaster or failure after the war will depend on whether we, as a nation, have in fact the sense of war has taught us. If we permit the retrogression of the reconstruction which arose an extremely dangerous thing, we shall fail. We cannot practice in peace the centralization which brought totalitarianism to our shores and be either free or successful."

"We must release and give back the energy and spirit of the freedom for which we fight. In that way we cannot fail to be both free and successful."

Gov. O'Connor declared that "the principles of social security are not shared by the American people as a permanent feature of our governmental pattern."

"But each program," he said, "should not be viewed whereby the individual is relieved of responsibility to provide for himself. Rather, it should represent the merchandise through which a measure of betterment, otherwise unobtainable, is achieved."

He said that both Federal and

State laws now look to social security. He added:

"During the past year various proposals have been before Congress seeking major changes in existing Federal social security legislation. Underlying all these is the philosophy that the Federal Government should assume more and more authority in this field. In two important places, the present State programs would be completely obliterated."

Points in Proposals

Time was pressed to mention the coverage and thereby the benefits under Federal aid and survivors' insurance. They provide for a new Federal program covering permanent disability benefits. Federal program covering temporary disability, a Federal system for medical care and hospitalization.

"Our present State systems of unemployment compensation would be superseded by a national system paying benefits on a uniform basis. The unemployment service, based on an 'emergency' basis at the request of the President, would never be returned to the States."

"To thoughtful citizens, anxious to maintain their governmental system as it was originally conceived, the foregoing proposals contain at least three dangerous elements."

"First, the Federal Government would be extending its social services into fields never before invaded."

"Second, there would be no proper distinction between State and Federal authority—in fact, State participation would be practically eliminated."

"Third, the already overburdened public might not be able to stand the continued financial burden."

JUNE 17, 1944

Wilson Stresses Conversion Tasks

United Aircraft Official
Urges Sound Surplus
Disposal Policies

(Special to Journal of Commerce)

BOSTON, June 16.—If at the close of present emergency, our national policy supports the sound expansion of air transport so as to shift the load from military to commercial types, the aircraft industry can become the catalyst of a new, dynamic, expanding economy, Eugene E. Wilson, vice chairman of United Aircraft Corporation, told the New England Council Conference today.

A strong plea was made by Mr. Wilson, who is chairman of the Aeronautical Chamber of Commerce, for early solution of such reconversion problems as contract surplus disposal and the use of Government plants.

Large Postwar Surplus

"When the emergency is over a large surplus of transport aircraft will be available," Mr. Wilson said. "If these are dumped on the market they can easily smother the vital spark of technological development. If, on the other hand, they are disposed of wisely, so that the surplus can be used to nourish an expanded private transport, scientific progress will continue. It is entirely possible that through the use of contract airmail, and the intelligent disposal of surplus aircraft, air transport can be expanded without subsidy in such a way as to offer employment for returning soldiers and create a demand on the part of the newly established airlines for improved models as they become available."

Mr. Wilson pointed out that air power provided the key not only to prosperity, but to lasting peace.

"Whether we shall recognize the opportunity and rise to it depends, I believe, upon whether the people return to those traditional American principles which have already given us unquestioned technical and numerical superiority in the air or choose to follow some other course."

Air Now Highway

Mr. Wilson said that pending the verdict of history as to whether the new air power is more important than sea power "this much is clear: The air, like the sea, has become a highway. And the airplane has certain advantages. Highways end at the shore, sea lanes end at the shore, but the air knows no such frontiers."

Mr. Wilson cited the vital role played by air transport in the war in delivering vital materials essential to the split second timing of combined operations to assure success that otherwise could not have been achieved.

Air Industry Asks Unified Cutbacks, Advance Notices

Orderly Reconversion Is
Sought, Stressing Output,

Design in New Types
Journal of Commerce

(Bureau of Journal of Commerce)

WASHINGTON, July 10. — Co-ordinated cutback planning, under which the Army and the Navy would undertake to order the first terminations in those industries which are producing aircraft only during the war emergency, and under which planes of new types would continue to be designed and produced in the transitional period to assure American airpower, was advocated today by leaders of the aircraft industry.

In response to specific queries submitted to the aircraft industry by the War Contracts Subcommittee of the Senate Military Affairs Committee, leaders of the industry appearing before the committee today, urged the adoption of unified cutback policies by the armed services which would prevent precipitous and wholesale unemployment, and which would encourage continued rapid technological development in aircraft during the reconversion period.

Asks Prompt Termination

The industry is presenting its plans stated that "once the needs for given types of aircraft and equipment ends, contracts should be terminated promptly." An orderly reconversion, however, while completely terminating types which are no longer of tactical value, would continue planes of new design, either in production or contemplated. If in the opinion of the Army or Navy they are needed for the maintenance of air power, the aircraft executives said in statements released through the Aeronautical Chamber of Commerce.

They urged that 90 to 120 days' advance notice be given so that the Government receive complete aircraft instead of partially processed materials and components which might or might not be usable. "The aircraft manufacturing cycle, it is pointed out, is from 60 to 120 days. Adequate advance notice would prove sounder economy for the Government, it was held, and would aid in the solution of manpower problems and in the speedy settlement of terminated contracts.

Leaders of the industry who testified before the committee were Harry Woodhead, president of Consolidated-Vultee Aircraft Corporation; Eugene E. Wilson, vice chairman of United Aircraft Corporation; Joseph T. Geuting, vice president of General Aircraft Corporation, and J. Carlton Ward, Jr., president of Fairchild Engine & Aircraft Corporation.

Outlines Labor Policy

With respect to workers involved in the demobilization of the aircraft industry, Mr. Ward said that the industry:

1. Agrees with the principle of adequate unemployment insurance, as an essential to orderly manpower demobilization and re-employment.
2. Believes that the new employer or educational organizations should

(Continued on Second Page)

Orderly Reconversion Plan Asked

(Continued From First Page)

retrain workers, thereby avoiding retraining for non-existent jobs.

2. Agrees that transportation of workers to bona fide residences or to new jobs at Government expense is desirable.

"The rate of net profits on sales volume in aircraft is the lowest of any industry engaged in war production, amounting to but 1.8 percent in 1943," Mr. Ward said.

"The entire working capital of the aircraft industry would not equal one month's operating costs at present production rates. It, therefore, is obvious that the industry, while eager to do its full share during the conversion period, can be of very little help in assuming financial responsibilities of the manpower demobilization and re-employment process.

Postwar Defense Plans

"With respect to planning for a postwar national defense program for the aircraft industry the industry believes:

1. Present development contracts should not be terminated.

2. Military research, design and development should be continued on a constructive basis through competitive private industry.

3. A production program for the aircraft industry should be maintained to retain its ability to establish production processes and to permit the air forces to become familiar with the handling of such planes. We assume that 30 percent of the number of airplanes in the air forces will be replaced annually.

4. New and advanced models of all types of military aircraft required for a balanced air force should be designed and developed. Quality of the product should be

the prime factor in placing orders.

"The aircraft manufacturers want no subsidy, but do suggest a National Air Policy which will allow the industry to maintain leadership and design and preparedness to resume large-scale military production at any time if it should be necessary."

Mr. Woodhead said that the aircraft industry is not opposed to resumption of civilian production by aircraft companies in a position to do so as long as competitors are permitted to increase their facilities and begin postwar development while still engaged in war work.

Civilian Production Needs

In answer to a question by Senator James E. Murray (Dem. Mont.), chairman of the subcommittee, Mr. Woodhead said there was no reason why companies whose war contracts were terminated or cut back should not be allowed to resume civilian production "if they are in a position to go ahead."

"But its competitors still engaged 100 per cent in war production would want to be permitted to increase their engineering staffs and start postwar planning and development while continuing 100 per cent on war work," Mr. Woodhead said. "In that way nobody would be too far behind when it is all over."

"Civilian aircraft manufacture should be started at the earliest possible moment which will not interfere with military needs," Mr. Woodhead testified.

Disposal of Surplus

On the subject of surplus disposal Mr. Woodhead said:

1. Under no circumstances should surplus war plants be operated by the Government in competition with private industry.

2. Each company operating a Government factory should be given an opportunity to buy or lease the factory at reasonable terms.

3. The sale of surplus transport planes should not be made the instrument of a subsidy. Wherever practicable such sales should be made through qualified manufacturers.

4. Small planes with non-military use should be given by the Government to schools and colleges for development of military training.

5. Surplus combat aircraft and components unsuitable for further use should be scrapped. Combat aircraft suitable for further use should be leased, sold or bartered to friendly foreign nations.

In answer to a question by Senator Murray on postwar unemployment insurance, Mr. Woodhead asserted the industry is "in thorough agreement with the principle of adequate unemployment insurance as an essential in orderly manpower demobilization and re-employment."

The industry does not believe that overcompensation is necessary, Mr. Woodhead added.

Mr. Wilson called for "an early delineation of a national air policy" and asserted that this country must retain technological superiority.

"We recommend new legislation re-stating this country's air policy and assuring technological development through constructive competition of private industry," Mr. Wilson said.

Mr. Geuting urged construction of many thousands of landing fields and development of research and technical training in schools and colleges.

JULY 29, 1944

As Soon as Congress Returns**Byrnes Is Promised Action
On Problems of Reconversion**

JUL 29 1944

By Mary Spargo

War Mobilization Director James F. Byrnes announced last night that Democratic leaders had promised Congress would get right to work when it reconvenes Tuesday on the twin problems of providing for warworkers whose jobs are ended and converting industry to a peace-time basis.

Demands that Congress, instead of taking three-day recesses starting August 1, buckle down to reconversion and demobilization problems was sparked by Senator Arthur H. Vandenberg (R., Mich.), who called a special meeting of Republican Senators for Tuesday.

Democratic leaders were quick to seize the ball, although some scored Vandenberg's statement regarding the "chances of an early victory over Germany" being "encouraging."

Senator Robert R. Reynolds (D., N. C.), chairman of the Senate Military Affairs Committee, in whose jurisdiction reconversion legislation was placed, said he had asked all members of his committee to be in Washington Tuesday, to consider bills.

Senator Warren R. Austin (R., Vt.), ranking minority member, has notified his office that he will be here for the meeting.

In response to a request from Byrnes, Senate Majority Leader Alben W. Barkley, Speaker Sam Rayburn and House Democratic leader John W. McCormack sent telegrams promising prompt consideration of reconversion, demobilization and surplus war property legislation.

Reynolds' committee will consider both the George-Murray and Kilgore demobilization bills, and very likely a new Murray bill.

Senator Harley M. Kilgore (D., W. Va.), author of a very comprehensive measure, in calling for speeding of congressional action, emphasized that reconversion legislation is needed not only to face squarely the problems of peace, but also to maintain an orderly war production program during the difficult period of partial cut-backs.

His bill is supported by the

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CONGRESS

From Page 1

American Federation of Labor, the Congress of Industrial Organizations and the Railroad Brotherhoods.

The special House committee, headed by Representative William M. Colmer (D., Miss.), considering reconversion problems has been notified by McCormack to return Tuesday.

Representative John J. Cochran (D., Mo.) joined in the call for Congress to come back to work.

"We have passed a law that will take care of the termination of contracts so far as the corporations are concerned, but we have failed to do anything to prevent widespread unemployment when war plants shut down. Plants cannot be reconverted overnight. When contracts are cancelled millions of men and women warworkers will have no place to go."

Bonus Proposal Offered

Leaders of both parties have expressed the belief that adequate demobilization legislation providing for unemployment benefits might check the rapidly spreading exodus of warworkers from plants producing materials of war vitally needed now.

One suggestion, made by a leading industrialist, would provide demobilization legislation specifically divided into two phases—one covering the situation until after the collapse of Germany, and the second covering the period necessary to defeat Japan.

SEPTEMBER 9, 1944

Romney Urges Speedy Government Action To Facilitate Clearances of War Plants

SEP 9 - 1944

Journal of Commerce

(Special to Journal of Commerce)

DETROIT, Sept. 8.—Urging the Government to unshackle industry for the big reconversion job that is imminent, George Romney, managing director of the Automotive Council for War Production, today advocated immediate formulation of administrative procedures and additional legislation to facilitate war plant clearance.

Until the Government is prepared to remove this and other obstacles to reconversion, he warned, industry will not be able to reduce the period between war jobs and peacetime jobs to a minimum.

A big gap in our peacetime economic fortification exists because of the lack of adequate Government preparation for war plant clearance, he said, even though the passage of the Contract Settlement Act called for some of the necessary administrative action.

Plants Seen "Clogged"

"New automobiles cannot roll off assembly lines as long as manufacturing space is clogged with Government equipment, materials and other inventories used in war production but useless in automobile production. And the plants may stay clogged for what will seem to the nation as an interminable period unless steps can be taken before the collapse of Germany to trim this time element down," Mr. Romney said.

As a specific solution, he suggested that the military agencies assign and train their representatives now to check and approve inventory lists as they are being prepared by war contractors after the war contracts are terminated, so

that the inventoried items can be removed from the plants without holding up during the entire 60-day waiting period provided for in the Contract Settlement Act.

Surplus Bill Amendment Asked

As a second concrete proposal Mr. Romney advocated the immediate adoption by Congress of a Senate amendment to the Surplus Disposal bill now in conference, which provides that the military agencies should be authorized to determine in advance of war contract termination exactly what equipment and materials will be needed for military purposes.

Of the remainder the Government should decide what has any other clearly foreseeable use and the balance should be classified and disposed of as scrap. Each war contractor should be advised as to the Government requirements for the handling, storing and disposing of the different classifications of the Government-owned termination inventory.

"Such action would keep an additional burden off the American taxpayer's shoulders," Mr. Romney pointed out, "as it would prevent the wasteful practice of filling valuable warehouse space with war items that will have no utility except as scrap at the very time when there will be insufficient space to store the useful war surpluses."

Tool Freezing Scored

"It must be realized that as high as 90 per cent of some termination inventories is good for nothing but scrap. To allow such inventories to stand in the way of quick reconversion and re-employment would be a waste of the nation's productive plants and manpower."

Various Washington agencies are guilty of procrastination in putting into effect policies formulated by other agencies in meeting reconversion problems, he said.

An example of such conflict between current regulations and adequate steps to make practical preparations for reconversion is that company-owned automotive machine tools that were converted to war production are now frozen to war jobs, even though identical Government-owned machine tools are idle and could be used.

"The freezing of such tools makes it impossible for the automotive industry to do any realistic advance scheduling of the use of these machines or to begin now to recondition and retool them for automotive production despite War Production Board rulings that otherwise would permit retooling preparations," he pointed out.

Another inter-agency conflict concerns the boxing of machine tools, with one agency's standards not being acceptable to another. This results in duplication of effort, expense and red tape.

Lauds WMC Action

Mr. Romney lauded the War Manpower Commission's action in calling a meeting for September 14 to discuss with the industry the assignment of engineers and technicians to passenger car experimental work.

Mr. Krug's announced decision to free civilian production from wartime materials and quota controls following European victory is another heartening announcement that will unshackle industry for the big reconversion job that seems to be imminent.

"Removal of these and other wartime controls that block the industry from taking preliminary reconversion steps are highly desirable."

"What is now needed is quick, decisive action from Government that will clear up the host of other problems which are overdue in solution," Mr. Romney said.

SEPTEMBER 22, 1944

HITS U. S. ATTITUDE ON RECONVERSION

SEP 22 1944

**Romney Says Delays in Plans
Have Increased Burden on
Post-War Unemployment**

SMALL PLANTS DEFENDED

**Adjustment for Little Business
Should Begin Immediately,
Maverick Tells NICB**

George Romney, managing director of the Automotive Council for War Production, charged last night, in an address at a dinner of the National Industrial Conference Board at the Hotel Waldorf-Astoria, that the "failure of the Government up to now to authorize preparatory activities for partial reconversion already has lengthened the period of unemployment that will occur during the partial reconversion period if the war in Europe ends before December."

Urging that all existing regulations which interfere with preparatory work for reconversion should be revoked where the work does not interfere with urgent war production programs, Mr. Romney contended that cutbacks and reductions in war orders and overproduction of raw materials have made it feasible to take this step "without lengthening the war."

Asserting that war production employment passed its peak last December, Mr. Romney said the automotive industry suggested beginning preparatory work a year ago. He charged that the War Production Board's order of July 29, permitting the industry to place orders for machine tools, had "aroused false hopes."

Maverick Pleas for Small Plants

"Today most people believe that automobile plants already are being reconverted for automobile production," Mr. Romney said. "Even people in Detroit have been so misled by public statements, largely emanating from Washington, that they are asking if they'll be able to buy a new car for Christmas."

Maury Maverick, chairman of the Smaller War Plants Corporation and a vice chairman of the WPB, contended that the reconversion of smaller businesses should begin "right now," even though some big businesses might not be able to start as yet.

Denying what he said was widespread belief that the Smaller War Plants Corporation favored subsidizing small businesses, Mr. Maverick declared that there should be a system of Federal credit insurance, similar to the Federal Housing Administration, to insure bank loans to small businesses. He said that small business has had to pay an average interest rate of 4.5 per cent, while big business had had to pay only 2.5 per cent, on V loans guaranteed by a Federal agency.

Urges Strong Aircraft Industry

Mr. Maverick also called for vigorous prosecution of the anti-trust laws to break up monopolies and cartels which, he said, would doom a free enterprise economy. He declared that if little business was crushed the United States would follow the same pattern of a collective economy as Germany, resulting either in war or revolution.

William A. M. Burden, Assistant Secretary of Commerce, said that one of the most troublesome aspects of the reconversion of the aircraft industry was the public's inadequate comprehension of how serious a dilemma the industry faces. Pointing out that the industry now employs nearly 2,000,000 persons, he said that a shrinkage of 90 to 95 per cent might reasonably be expected.

He warned that it was important to maintain a strong aircraft manufacturing industry with continuing world leadership in research and development, and cautioned against following such policies as after the last war which, he said, delayed the technical progress of the industry for years.

Dr. Lionel D. Edie, president of Lionel D. Edie & Co., said that a paradoxical situation had developed in that while business wanted a return to free enterprise, that many business men were afraid to have the wartime controls taken off. He expressed the opinion that business generally was making a mistake in favoring continuance of price ceilings until there no longer are any shortages, and predicted that Congress was likely to refuse to extend the Price Stabilization Act beyond next June 30.

Delay in U.S. Reconversion Action Held Menace to Jobs

Automotive Council Manager Asks Immediate Directive to Aid Workers, Save Small Firms

George Romney, general manager of the Automotive Council for War Production, Detroit, yesterday declared that the government's failure to authorize preparatory activities for partial reconversion to peacetime production "already has lengthened the period of unemployment that will occur if the war in Europe ends before December."

Each additional day that government fails to take reconversion action "is lengthening the period of unemployment for millions of American workers," he told the 1944 meeting of the Controllers Institute of America at the Stevens, and at the same time he predicted that the delay would increase the number of small business firms which would fail because of inability to "bridge the gap between contract termination day and resumption of civilian production."

Romney advocated immediate issuance of an official directive exempting planning and preparatory reconversion work from all existing rules and regulations, "where the work does not interfere with urgent war production programs." He forecast that limited volume production of automobiles would require a year.

Johnston Calls for Unity.

Eric A. Johnston, president of the U.S. Chamber of Commerce, addressed the convention banquet last night, calling for greater national unity, greater national security and "an economy of abundance" in the postwar period.

Johnston predicted that when peace returns "the world will be engaged in a titanic race between collectivism and individualism, between the big state and the big individual, between autocracy and freedom."

"All over the world," he said, "the tide will be running strong to state control, state dominance, state ownership."

Wagner-Murray Bill Hit.

John T. Flynn, economic analyst and author, said the American people will face a generation of frustration and disorder if they do not have the vision to see and understand how their political and economic system is being destroyed and "have the courage to drive out of power" those who are destroying it.

Flynn asserted that the "condition that will come when the war is over will be a mess such as this country has never known in all its history and alongside of which the crises of 1929 and 1933 were mild."

'Last Chance for Decision.'

"We must have sane men and honest men in charge of the government. It will be our last chance to make a decision about our destiny during the next 30 years," he said.

Clarence A. Jackson, vice-president of the Indiana State Chamber of Commerce, told the group that "a sound, sensible social security system, carefully watched and run by all the people—with the present co-ordinated federal, state, and local governmental machinery—is a vital, necessary part of the free enterprise system."

Disposals Top \$8 Million.

F. R. Atcheson, deputy director of operations of the procurement division, U.S. Treasury Department, told the controllers there will be surplus property valued at billions of dollars to be disposed of after the war.

During the past year, disposals totaled \$83,260,017, as compared with \$9,076,000 during the previous year. Commercial channels have become the chief market for surplus goods, where government agencies and military services formerly took most of the property, Atcheson said.

Retiring Head Toastmaster.

John C. Naylor, vice-president and controller of the Pet Milk Co. and retiring president of the institute, acted as toastmaster at the banquet which was attended by 1,200.

The new president, Edwin W. Burbott of the A. B. Dick Co., in his acceptance address called for maintenance of a "dynamic and progressive concept of controllership," asserting that the enlightened controller must inquire into the effects of political and economic influences upon legislation, and "give cogent voice to resulting convictions in the deliberations of management, to the end that they be integrated into sound policies."

NOVEMBER 23, 1943

BOOM UNMATCHED IN HISTORY SEEN

N. Y. Times

**Wells Calls on Business Men
for Change-Over at Once
to Get Ready for It**

NOV-23-1943

Forecasting unprecedented post-war opportunities for expansion, and a ten-year boom unmatched in history, Robert H. Wells, president of Corrigan, Osburne & Wells, Inc., management consultants, yesterday called upon business to "begin at once the important task of changing over individually from war to peace production."

"This country now is beginning to gear up for the greatest industrial comeback of the century," he said, emphasizing that the opportunity for widespread prosperity with employment and wages at high levels is unexampled in the history of industry.

In a special analysis, entitled "Getting Down to Earth on Post-War Work," issued by his company, Mr. Wells envisaged:

Four-Point Forecast

- 1) The end of hostilities in Europe in the winter of 1944;
- (2) six months of slowdown in early 1945;
- (3) Three years of a prodigious domestic replacement boom from 1945 to 1948;
- (4) Then two years of serious setback followed by a world rehabilitation boom which will provide the greatest ten years of prosperity from 1950 to 1960 which this country will see in this century.

"Changing over to meet an opportunity of this world-embracing size," declared Mr. Wells, "imposes on all business men a strong obligation to do this job thoroughly. This country suffered a military Pearl Harbor at the beginning of the war. Let's not suffer an economic Pearl Harbor at the end of the war. If business men exhibit complacency, indifference and lack of vigorous application, this is no imaginary but a real threat which could seriously delay the expected upturn. It could result in widespread unemployment. The figure of 12,000,000 unemployed has been mentioned in this connection. In my judgment this is as unrealistic as it is unduly pessimistic. A likelier figure, I believe, would be no more than 6,000,000. The degree of unemployment will be determined, of course, in large measure by the degree in which industry applies itself to the job of war-peace conversion."

"As management consultants with contacts in many different industries, we are in a position to see the uneven effects on industry as the war load sporadically lightens. It is within our observation that the job of conversion is not being undertaken as wisely and thoroughly as it might, except by the leading companies and certain of the more enterprising among medium-sized corporations."

Not Informed on Changes

"We find that business men as a whole are not well-informed about the changes they must face when peace comes; the new materials, new processes of manufacture, new grades and qualities of product, all resulting from the tremendous focusing-down of our productive brains on war work."

The way back to production for peace, Mr. Wells emphasized, is by no means simple and unobstructed. Business as a whole, he said, confronts many large problems, particularly government's present position in industry and its future policies toward private enterprise, including taxation, inflation and labor relations.

Under conditions where costs must be more carefully weighed by the individual companies concerned and when the time for conversion can be and must be appreciably shortened, he declared, it is imperative that business men frankly face the facts, take an affirmative part in all dealings with Government that admit of arbitration, make the necessary decisions and actually get started on a definite war-peace conversion program, making physical changes in plant, product, processes and even marketing methods, wherever circumstances warrant such action, it was said.

"A start has been made," said Mr. Wells. "Much remains to be done, particularly by the great body of manufacturers and producers. We have the greatest opportunity of the century before us—and the greatest responsibility. Management is equal to the task. If it will rouse to the imminent need for action, if it will take advantage of the informed and wise counseling that first-hand contact with war production has made available for peace production, there is no question this country will be placed on a solid footing that will bring about our greatest prosperity period and enable us to influence importantly the establishment of a just and lasting world peace."

Baruch Calls for Start Now On 'X-Day' Reconversion

FEB 19 1944

White House Releases
120-Page Report
On War, Postwar
Adjustment Policies

By Ben W. Gilbert

Bernard M. Baruch, 73-year-old financier, in a 120-page report on "War and Postwar Adjustment Policies," yesterday called upon the War Production Board and the armed services to begin immediate work on an "X-day reconversion plan," to be put into effect as soon as Germany is defeated.

X-day, the report said, is a hypothetical date, already established by the War Department for the end of hostilities in Europe.

The report, prepared at the request of President Roosevelt and War Mobilization Director James F. Byrnes by Baruch, who headed the World War I War Industries Board, and his associate, John Hancock of Lehman Bros., New York, was made public by the White House. Baruch and Hancock are consultants on Byrnes' staff.

Calls on Congress for Legal Aid

Covering broad areas of the return to peace problem, the report calls for the creation of some new Government jobs, but opposes the setting up of an ever-all office of demobilization. It calls upon Congress for a portfolio of new laws to assist in reconversion, but urges speedy action by the executive branch, meanwhile, to avoid stifling our economic machine.

Principal recommendations include:

1. Creation in the Office of War Mobilization of a "work director," to establish Government policies for the handling of veterans and other employment problems—to "see that the human side of demobilization is not forgotten."
2. Providing a complete "financial kit" for the termination of war contracts "to assure quick cash, pending settlement," including 100 per cent immediate payment for all completed articles. Comptroller General Lindsay Warren's proposal that settlements be delayed pending an audit was blasted as "quibbling the Nation into a panic" at providing "unemployment insurance." Warren would be limited to uncovering fraud, but would be given a veto on the contract termination board force made up of the procurement agencies along with the Attorney General and the Public Health Service.
3. Naming of a surplus property administrator in the OWB with a surplus property board representing War, Navy, Treasury, Reconstruction Finance Corp., Maritime Commission, WPB, Budget, War Food, Justice, Federal Works, State, and Foreign Economic Administration. Suggested as outlets for surplus Government property are: Civilian goods, Treasury procurement; capital and production goods, a Reconstruction Finance Corp. subsidiary to be set up; ship and maritime property, Maritime Commission; food, War Food Administration.
4. A "general tightening of the entire Government war machine for both mobilization and demobilization." War agency funds

See BARUCH, Page 4, Column 4.

Highlights of Baruch Report On Policies of Reconversion

It is an easier task to convert from peace to war than from war to peace.

In the reconversion and readjustment will come improvements in our standards of life—better homes, better clothes, better food, better safeguards for children, better health protection and wider educational opportunities. These bring hope for the future instead of fear; they give security instead of unrest.

Any course (in terminating war contracts) such as that proposed recently by the comptroller general (Lindsay Warren) would quibble the Nation into a panic. The delays in settlement could force many concerns into bankruptcy. It would mean unemployment by audit.

There is no need for a postwar depression. Handled with competence, our adjustment, after the war is won, should be an adventure in prosperity.

While the producers should be restrained from excessive profits during the war, the workers, as long as hostilities are on, should refrain from strikes. No grievance, however just, should be permitted to slow our march to victory.

The returning soldier should not be forced to look to charity or community help.

THE war has been a crucible for all of the economic systems of the world, for our own, for communism, fascism, nazism—all the others. And the American system has outproduced the world.

Speed in shifting this productive capacity from war to peace is our most effective attack against the two enemies which threaten in the transition and postwar period—unemployment and inflation.

The business of all of the disposal agencies should be conducted in a goldfish bowl, with the facts on all sales open to public inspection at the point of sale and each agency submitting reports, summarizing these sales regularly to Congress through the Surplus Administrator.

Plan for peace? Yes. Let up on the war? No.

The greatest danger that our Nation faces, not only in the transition period but also in the longtime future, is the tendency for people to become broken up into blocs and segments, each organized for some narrow interest of the moment.



BERNARD M. BARUCH

From Page 1.
Plans should be reviewed constantly by the Budget Bureau to cut them down as their work dwindles. Later a postwar agency might be set up to liquidate the war agencies, taking the Government out of business.

5. Prompt extension of needed war powers, including the expiring Price Control and War Powers Acts providing the President with priorities, allocations and requisitioning powers. Enactment of other laws, including a postwar tax program to be laid on the shelf for future use, and provision for liberal credit to manufacturers resuming civilian production.

6. Cancellation of war contracts as soon as it is seen goods are no longer needed, with the armed services informing WPB and other agencies in advance to permit careful planning, and with the Office of War Information advising the public of the facts.

7. Protection of small business in the resumption of civilian production, so far as practical without interfering with the war, providing representation on industry advisory committees and special credit.

Running as a thread through the report was an emphasis on the need for speed in handling reconversion as war production is let down.

Speed Seen as Effective Weapon

Speed in making the shift would prove effective weapons against unemployment and inflation, the report said.

"If plants are choked with Government property, equipment, inventories, and work in process, manufacturers will not have room for the new equipment and new materials to produce peacetime goods," the report stated. "Or, if their working capital remains frozen, in unpaid-for Government work, they will lack the money to start up their business afresh to buy new materials and new equipment, to pay their workers."

"Business would be at a standstill; workers and returning servicemen would walk the streets, while the Government was figuring how to pay what it owed."

"Our country's position today is such that if the war terminated suddenly, most of the factories in this country would be shut and there would be unemployment of the worst kind. Of course, the war will not end tomorrow, but 'peace jitters' already are cutting into war production. Removing all uncertainties as to the Government's policy on settling terminated contracts is needed for the immediate conduct of the war."

Safeguard Against Early Nazi Collapse

The Baruch-Hancock report advocated the start of work on an X-day plan—with X-day marking the hypothetical date of Germany's defeat—for the purpose of "getting a head start" on reconversion.

"An early or sudden collapse of the Nazis in Europe, finding us unprepared for handling the transition problems, could result in such chaos and confusion as to seriously obstruct the most effective prosecution of the war against Japan," the report said.

"As far as practicable, this 'X-day' plan should seek to estimate cancellations in advance, the industries affected and the resources likely to be released, make tentative selections of the industries and plants to be freed, weighing how these selections can be guided so as to contribute first, to greater war efficiency, and, second, with war needs satisfied, to the speediest resumption of civilian production and to an orderly changeover from war to peace."

Weighing objections raised in

BARUCH

some quarters to public disclosure of postwar planning at this time, Baruch and Hancock stated: "But we conclude that the American people will face the facts courageously if the Government deals frankly with them."

The report urged that the armed services and WPB improve "their methods of working together, particularly in the handling of the problems of demobilization, contract cancellations, and the resumption of civilian production."

Strengthening of the WPB industry advisory committees, with all agencies using the same committees, was suggested.

"In these industry committees, the Government will find the best groups to advise on all of the many problems of industrial demobilization. . . . When carrying out what the Government requests of them, these committees should have the present protection under the anti-trust law, through the full transition period. Capable of great good, they could be a source of abuse and care must be taken to prevent the abuse of the privileges and responsibilities placed upon them."

Report Emphasizes Need for Legislation

The need for considerable legislation to insure orderly reconversion to peace was emphasized by Baruch and Hancock.

The report endorsed the George Murray contract termination bill and suggested that the proposed surplus property administrator work out a legislative program to take care of his phase of the job.

Three-fold extension of Government credit was asked, including (1) authorization of T (termination) loans "by local banks with Government guarantees, to be available to all war contractors, primes, and subs," (2) expansion of the lending authority of the Smaller War Plants Corporation to aid small business reconversion, and (3) expansion of the lending authority of the Federal Reserve system to provide a permanent source of risk capital for small and medium-sized businesses.

The report indicated a possible need for veterans' legislation to carry out the program of the proposed "work administrator."

Stating that uncertainty about postwar taxes was deterring the launching of new enterprises, the report proposed that Congress enact now for future use a postwar tax law lowering the existing tax structure, but simultaneously providing for reduction of the national debt.

Adding that he thought present taxes too low, rather than too high for wartime, Baruch said, "At current tax rates, few new enterprises or individuals could repay their borrowings out of earnings, less taxes, in any reasonable period of time."

'Pressure Groups' Are Condemned

Pressure groups came in for condemnation in the Baruch-Hancock report.

Discussing price control, it was stated: "Most of the pressure groups have brought about the conditions of which they complain. Those who do the least complaining, the great body of white-collar workers, the policemen, firemen, school teachers, members of professions, they have suffered most. . . ."

"It is unthinkable that at a time like this, a manufacturer would for a moment cease his efforts in order to make greater profits, or that a laborer would stop his efforts in order to receive a few cents more per hour."

And, "our concern over pressure groups is another reason why we have guided our recommendations so that once victory is won, we can close the books on the war as quickly as possible. We have not wanted to leave the Government after the war a jacked-up economy which invite every pressure group to hit it."

JAN 2 1945

Washington Post

Conversion Trend Looms In New Year

By Thomas D. Hagenbuch
Associated Press Financial Editor

New York, Jan. 1.—The Nation starts the new year with its industrial might roaring at the highest level in all history. We have achieved almost undreamed of heights of production in planes, ships, munitions and other vital materials need for victory, and now we begin to see the defeat of Germany in 1944 and of Japan possibly in 1945.

But the very fact that we have come so far in producing the mass of weapons which has set us definitely on the road to victory brings up the question of what will happen to our economy if Germany is knocked out of the war early in 1944. For that reason alone some uncertainty attaches to the new year.

At the turn of the year we have about reached the rate of production we set ourselves at the start of the war. Raw materials are no longer a problem, the manpower situation is less critical. We are prepared to continue our great output of war goods as long as they are needed.

Top Output Asked

The War Production Board, which cannot afford to bet on the chance Germany will be defeated in 1944, is calling on American industry for continued top production in the new year.

Nevertheless there seems to be little question that if Hitler is licked in 1944, there will be some far-reaching changes made in the production picture.

For one thing, it will not be necessary to supply so vast an army of ground troops as we now need. Then again, we will mass our fighting ships and planes in the Pacific for an all-out war on Japan, instead of spreading them over the globe, and it is probable we may be able to ease production in many lines.

Leveling-Off Indicated

Even as the fighting in Europe intensifies, there is some indication of a leveling-off in a few branches of war industry, such as the recent decision of the Maritime Commission to end Sunday work on cargo ships and discontinuance by several plants of the manufacture of small arms and ammunition.

Estimates of the cutback in war production which would follow Germany's defeat vary. One economist puts it at 80 per cent. Others say it would be nearer 25 per cent.

In 1943 the Nation produced approximately 80 billion dollars worth of war goods. Over-all industrial production was climbing toward three times as much as the country's output average for 1935-39.

The aircraft industry, for instance, turned out approximately 22,000 planes, and as the year drew to a close production was at the rate of 100,000 planes a year. In 1939, we made only 2600 planes.

Vast Naval Construction

Merchant ships estimated at 19 million tons left the Nation's shipyards, and naval construction was on such a vast scale it was forecast that by July, 1944, the U. S. Navy would have more than 41,000 vessels, representing almost 20 times the 2136 it had in July, 1941.

Payment for all this torrent of war materials boosted the national income over the 150 billion mark. The aggregate of corporate and private savings bulged toward 100 billions, a tremendous reservoir of buying power for postwar years.

Taxes, boosted five and six or more times prewar levels, siphoned off something like 40 billions, but this was still below the Government's original goal of paying at least half the war cost in taxes.

Radio . . .

David Sarnoff, president, Radio Corp. of America—Latest estimates reveal that radio production in the United States is up to 250 million dollars a month against 30 million dollars a month a year ago—all for the armed forces. . . . When the war ends American industry must not be without a chart for the future.

. . . Radio as an industry is fortunate to have television as a postwar development. . . . There should be no expectation, however, that when the war ends the air will be transformed overnight to television. It will require from 3 to 6 months to get the machinery in operation to resume the manufacture of civilian broadcast receivers. It may require a year . . . before television sets are available within the price range from \$200 to \$300.

Electric . . .

George H. Bucher, president, Westinghouse Electric & Manufacturing Co.—From the research laboratories and out of the skilled technique of workmen come the apparatus with which victory will be won. . . . Notwithstanding the fact that in the first nine months of this year we manufactured and shipped more apparatus than we did in the entire 12 months of 1942, our backlog of unfilled orders still continues to be over a billion dollars. . . . Reconversion of all our plants to peacetime pursuits should be accomplished in a matter of months.

Food . . .

Clarence Francis, chairman, General Foods Corp.—War and weather permitting, the American food industry expects to handle a record tonnage in 1944. But if the industry produces and distributes every possible pound of food, there still will not be enough of all kinds of food in 1944 that people will be willing to buy, because food will continue to be a major outlet for part of the increased incomes of millions of Americans.

Says Reconversion Will Depend on Success of Major Offensives

JAN 18 1944
JOURNAL OF COMMERCE
ACTION INDICATED BEFORE ARMISTICE IS SIGNED

JAN 18 1944
Industrialists at Meeting With WPB Head are Reported Pleased With Proposals

By HARRY G. BORWICK

WASHINGTON, Jan. 17.—A group of the nation's leading industrialists received a pledge today that business would be given the green light for a partial large-scale resumption of civilian manufacture as soon as the success of pending major offensives on the European continent has been assured.

This pledge is understood to have been made by Donald M. Nelson at the widely-heralded meeting to which top executives had been summoned to review reconversion problems.

Satisfaction Reported

While the official statement issued by the War Production Board this afternoon stressed the point that "no general resumption of civilian production" is possible now, it was reliably learned that Mr. Nelson and Charles E. Wilson, vice chairman of WPB, had given the group every reason to believe that industry will be permitted to go forward with its reconversion plans after the prospective landings in Europe had clarified the probable course of the war.

It was emphasized here that the discussions today were of a general character and that no specific programs were brought under review. Nevertheless, the meeting, as well as others that are to follow, is expected to dispel the fears that had been voiced in industry quarters that reconversion planning would be delayed needlessly by those in authority in the capital.

While there has been considerable disappointment recently over the failure of WPB to move more rapidly in the allotment of materials for civilian goods, the industrialists present at today's meeting were described as well satisfied with the approach towards reconversion outlined to them by Mr. Nelson and Mr. Wilson.

Won't Await Armistice

What was particularly reassuring to those present at the meeting, it is understood, is the implication in statements made today that the WPB does not intend to wait until an Armistice has been signed before giving industry the signal to go ahead with reconversion.

Once the landings in Europe have been successfully mounted and military leaders are able to appraise somewhat more accurately the probable length of the enemy's resistance to our advancing forces, WPB will be in position to determine the volume of facilities and materials that can be released for resumed civilian manufacture.

The official attitude appears to be that the volume of goods which

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Industry Gets WPB Output Pledge

(Continued from First Page)

could be made available in the next few months by permitting immediate reconversion of such plants as have completed their war work would in any case be small; and that it is the course of prudence to hold such facilities in reserve against the possibility that our landings might encounter more serious resistance than is expected. In that case, it is pointed out, manpower demands of the Army would be such as to preclude any diversion of labor to more than the barest civilian essentials.

"With our biggest battles coming up," Mr. Nelson told the group, "this emphatically is not the time to divert any substantial quantities of materials, labor or facilities to less essential civilian production. There certainly cannot be any return to volume production of less essential goods until the war picture is a great deal clearer."

Mr. Nelson explained that the situation respecting raw materials has changed substantially since many of the controls affecting non-military production were originally devised. Some materials which were extremely scarce a year or more ago are now comparatively easy.

On the other hand, many materials which were then easy are now very scarce. Consequently, WPB is making a number of re-substitutions in the use of these materials and is re-examining the various orders and controls through which the use of all these materials is determined.

Example Given

He emphasized that an easing in the supply of a basic material—such as ingot aluminum—does not of itself bring a corresponding easing in fabricating capacity for that material. Hence, while some surpluses of certain materials do exist today, these surpluses cannot immediately be thrown into the production of consumer goods.

On the contrary, it is necessary to take advantage of the opportunity these surpluses present to relieve the drain on other materials that have grown increasingly tight during the past year.

An example of this sort of thing, Mr. Nelson said, is the present program to permit the manufacturing of some 900,000 steel baby carriages. Far from being a "relaxation" of the restrictions on civilian production, he said, this program

is primarily a means of substituting steel, which is comparatively easy, in the making of baby carriages.

The net effect of the program, therefore, is to save critical materials and to meet essential civilian need for a more durable and satisfactory end product.

Today's meeting was one of the number of informal consultations on current problems. Within a few days it will be followed by a similar meeting with leaders of organized labor.

Attending today's meeting were: J. L. McCaffrey, International Harvester Co.; Alvan Macaulay, Packard Motor Car Co.; James H. Marks, Packard Motor Car Co.; Eugene Grace, Bethlehem Steel Co.; Henry M. Reed, American Radiator & Standard Sanitary Corporation; A. W. Robertson, Westinghouse Electric.

Henry J. Kaiser, Kaiser Co., Inc.; E. Tappan Stannard, Kennicott Copper Co.; Fred Lazarus, Jr., F. & R. Lazarus Co.; Otto Seyforth, United States Chamber of Commerce; A. H. Nicoll, Graybar Electric Co.; Henning W. Prentiss, Armstrong Cork Co.; Fred W. Nichol, International Business Machine Co.; Robert Gaylord, National Association of Manufacturers.

(Continued on Second Page)

MARCH 9, 1944

Nelson Warns Reconversion Will Not Be Fast

By **MAR 9 1944**
Tells Business Executives
It May Take 6-8 Months

After Germany Collapses
N. Y. Herald Tribune

From the Herald Tribune Bureau

WASHINGTON, March 8.—Don-

ald M. Nelson, chairman of the War Production Board, warned two hundred of the nation's most influential advertising, business and newspaper executives tonight that it may be from six to eight months after the collapse of Germany before large-scale civilian goods production can be resumed. Addressing a conference planned by the Office of War Information and the War Advertising Council to convince the visiting executives of the gravity of the war situation and discourage over-optimistic "glamour" advertising of post-war goods, Mr. Nelson declared that efforts to beat the gun on the return to civilian business will be unavailing. Their only result, he said, will be to slow up war production. "No business concern needs to become agitated now about its position on the unknown day when Germany will surrender," he said.

Noting that the nation is "better prepared than ever before in its history to anticipate the problems that lie ahead, and to overcome them by wise action," Mr. Nelson said he "certainly would oppose any attempt to put the post-war economy in a totalitarian strait-jacket."

"To regulate the peace-time economy in detail would be to do irreparable injury to the free-enterprise system in the United States," he said. "Regimentation would almost certainly tend to choke off new competition and to drain away the personal initiative which has been and is a source of ever-renewed strength to the nation."

Giving a hint of W. P. B. plans for reconversion, Mr. Nelson said: "In designating the areas and the plants which will be allowed to

return first to civilian production, our sole criterion will be the public interest. Our decisions cannot be expected to satisfy every business concern which they affect.

"It will not always be possible, for example, to give identical treatment to competitive concerns.

"In order to obtain early production of items needed by civilians, manufacturers in areas where man power is available may have to be permitted to resume production of those items before manufacturers in critical man-power areas."

"Such decisions," the W. P. B. chairman admitted frankly, "may cause a certain amount of heartache here and there; but if those decisions are demanded by the public interest, they will be made."

Mr. Nelson's remarks were delivered at a dinner meeting at the Statler Hotel, following a day of conferences for the visitors. In the morning they heard off-the-record talks by high military and naval officers and in afternoon visited the White House to meet President Roosevelt.

It was reported that the morning session failed to impress the executives. Having come to Washington to hear genuine "inside stuff," they were overheard to complain that they had learned nothing they did not already know.

In the afternoon the visitors were addressed by Mr. Nelson, Charles E. Wilson, W. P. B. executive vice-chairman, and other W. P. B. officials. Mr. Wilson told the closed meeting that any slack in production facilities will be taken up in the immediate future by other war programs and by essential civilian production. Mr. Nelson advised the advertising men not to anticipate any appreciable production of consumer goods until the European war is over.

In his evening address, Mr. Nelson admitted there have been "some weeds in every victory garden" but praised both labor and management for their performance.

The armed forces are demanding more paper products than ever and the supply is less. Save this copy of the Herald Tribune... and every bit of paper... to speed the waste-paper drive—and victory.

NELSON ANNOUNCES CONVERSION POLICY

For Switch to War Production
Where Possible But Many
Curb on New Companies

MARCH 11, 1944
GIVES VIEWS TO MALONEY

Tells Connecticut Senator He
Opposes Permanent Limit on
Business Competition

Special to The New York Times
WASHINGTON, March 9.—Donald M. Nelson, head of the War Production Board, advocated today a program of reconversion of industry away from wartime manufacture which would encourage civilian production wherever possible but would place restrictions on the entrance of "new" companies into industrial fields until the needs of established firms for critical materials had been met.

Mr. Nelson outlined his recommendations in a letter to Senator Francis Maloney, Connecticut Democrat, who had sought an explanation of the board's reconversion policy, with special reference to the industries of his own State. The senator placed Mr. Nelson's reply in the Congressional Record.

"New Competition" Stand
Mr. Nelson emphasized that the proposal to delay the entry of war-created companies into production fields in which they played no part before the war was not intended to curb "new competition."

"I do not believe you can have a democracy and at the same time forbid new competition," he wrote.

The production chief added, however, that the public interest must be the guiding consideration, both in limiting the activities of "new" companies and in the regulations under which established firms manufacturing war materials should be permitted to resume civilian production.

It would be a "physical impossibility," he asserted to allow all manufacturers in every field to resume non-military production simultaneously.

"If without interference with the war effort we can give a manufacturer in a non-critical manpower area materials and parts to resume production of things the civilian economy needs, I think it is to the public interest that we do so without waiting until another concern in a critical area is permitted to resume production," he explained.

Policy May Seem Hard

"This policy may seem hard on the manufacturer in the critical area, but it would be at least an equal hardship on the manufacturer in the non-critical area if he were prevented from resuming production just because a manufacturer in a critical area could not do so."

Mr. Nelson asserted that he would "strenuously oppose" any attempt by the Government permanently to limit competition by new companies, which, he decided, would clearly be grave shackling of the country with a regimented economy.

"In my judgment, it is all-important to maintain a competitive economy," he wrote.

Objective Is Outlined

"It has been my objective from the very start to confine detailed economic planning to wartime production of military and civilian essentials. If, with the return of peace, we were to start out with the policy of planning our peacetime economy in detail, as we would have to do in order to prevent competition, we would do irreparable injury to the free economy."

Continued on Page Twenty-six

NEW YORK TIMES

MARCH 10, 1944

NELSON ANNOUNCES CONVERSION POLICY

Continued From Page Twenty-two

enterprise system in the United States.

"It is my view that controls should be relaxed wherever they cease to be necessary to war production. However, the need for controls is obviously going to continue for some time. Even in the case of material which is in good supply today, if suddenly the controls were relaxed another shortage would be likely to occur, injuring production for war.

Demand for Components

"As for component parts, I would estimate that in the consumer durable goods field there are twenty to thirty industries which require components which are now very critical, such as ball bearings, fractional horsepower motors, heavy castings and engines. Restrictions on 'new' companies which want to enter an industry for the first time will undoubtedly be needed until the new critical components and materials are in easy supply. Certainly, as long as wartime controls are retained, materials and components should not be allocated to those 'new' firms until firms already established in affected industries, and which are in a position to resume production of their former product, have received their just allocations.

"Repair and maintenance parts, supplies for the service industries, and some consumer items whose depletion has left critical shortages in the life of the American household, must be assured production.

"The only way that I can see to do this is to fit them into production schedules wherever it is possible to do so, even though the effect on competitive situations may be painful. This is the same method that we apply to war production for military items, where we do not consult the convenience of the competitive interests of the firms involved. I can see no escape from applying the same method to the most essential civilian production so long as we are forced to meet the military requirements for a quick victory."

In answer to other questions Mr. Nelson said WPA and the armed services are in close consultation on problems and that in so far as policies governing the extent of cutbacks and their distribution between different firms or regions were concerned manpower was the most critical determining factor and necessarily takes first place in considerations.

JULY 16, 1944

Reconversion *N. Y. Times*

A new engagement was fought in the Battle of Washington last week. At issue was the troublesome subject of reconversion of industry to civilian production. The disputants were Donald M. Nelson, chairman of the War Production Board, on the one hand and on the other a group of military and manpower officials. Mr. Nelson had advocated an immediate though limited start on reconversion, fearing that if all industry were kept geared to war until the fighting was over there would ensue a period of economic vacuum, including widespread unemployment until factories and businesses could shift over. His opponents had objected, on the grounds that any move which took workers and facilities out of war production would handicap the over-all war effort.

JUL 16 1944

Before the engagement could develop into anything more than a skirmish, both sides threatening to take matters to the White House or the Senate's Truman committee, War Mobilization Director James F. Byrnes ordered the dispute ended, and in WPB's announcement that the Nelson plan would get under way at once it appeared that he had won out.

The Nelson Plan

The details of this plan were contained in a set of directives announced by Mr. Nelson on June 19 and originally to take effect on July 1. One directive lifted some of the restrictions on civilian use of the growing stockpiles of magnesium and aluminum. Another provided limited quantities of machine tools for civilian industries. A third permitted the development of a "minimum number" of models of civilian products for "strictly experimental purposes," and set up machinery to allow manufacturers with facilities "not needed for the war effort" to make certain civilian articles. By the agreement reached last week all of these orders are to stand, becoming effective on various dates between yesterday and Aug. 15.

In the background of the controversy was the long-drawn battle which began with Mr. Nelson's appointment in January, 1942. Basically this has been a struggle between civilian and military authorities for control of the nation's wartime economy. Arguing that war production affected all phases of civilian life and should be controlled by a civilian agency, the WPB head won the early rounds. Then shortages of materials became the principal problem. This was met by increased production, priorities and by rationing. More recently, as the nation found itself overstocked in certain war goods and curtailments began, the problem of reconversion developed. In this Mr. Nelson's task has been complicated by the fact that the principal shortage now is in manpower in certain critical lines. Some Government circles have feared that even limited reconversion at this stage of the war might arouse more "cut-back jitters" and cause a rush of war workers to civilian industry.

JANUARY 27, 1944

Maverick Says He Will Assist Small Business

NY HERALD TRIB.

Promises Agency Will Help
to Make Raw Materials
and Surpluses Available

JAN 27—1944

A pledge that the Smaller War Plants Corp. will under his leadership aggressively seek to "get things done" for small business was made by Maury Maverick, newly appointed chairman of the war agency, in a press conference yesterday at S. W. P. C. regional offices in the Empire State Building. The agency, he asserted, intends to take the lead in making available to small plants the increasing supplies of raw materials as they become available and the allocation of surplus materials and equipment, not "just as an adjunct of the War Production Board, but as an active proponent of the enterprise."

Urges Reconversion Plans

Mr. Maverick said that it was essential for small business to consider reconversion to civilian production now, and urged that "we start talking about it and planning now." The S. W. P. C., he said, has extended its planning in this respect to such matters as termination of contracts, financing for small business during reconversion, and post-war production, although actual policies on these topics have not yet been formulated.

Discussing his immediate plans for applying the theory of private enterprise in S. W. P. C., he declared:

"I think we should have the power to get allocations to certain concerns that would not get them otherwise. And I am going to see that we get representation on all those Washington committees, and I mean all of them."

Calls for Free Enterprise

"If we've got a capitalistic country, we've got to be free for enterprise, and that's what I'm for," Mr. Maverick added, explaining that "small business should have certain advantages."

"In other words," he continued, "I propose we do for every small business man what we've done for the farmer. One thing I've been attacked for but will advocate is that there should be technical and scientific advice made available for the small business man. I don't mean by this that they stop private research, and this is not going to interfere with private enterprise but help it."

He said that he was against cartels, dividing of markets, trusts, and cutting down production to keep up prices.

SEPTEMBER 15, 1944

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Maverick Wants Reconversion Of Small Plants to Begin Now

B4

By a Staff Correspondent of The Christian Science Monitor

NEW YORK, Sept. 15 — This country must begin reconverting now, Maury Maverick, Chairman of the Smaller War Plants Corporation, declared here yesterday while outlining a 10-point program to start things moving toward his postwar goal of 1,000,000 new business concerns in the United States.

Spot authorization of materials is a fraud unless you have something to do it with, Mr. Maverick said at a press conference during the meeting of the Research Institute of America at the Waldorf-Astoria Hotel, suggesting that the release of materials, "just around the corner," should go first to the little businessman.

His program calls for the acceptance of the principle of free enterprise and private initiative by the American worker, farmer and businessman, but along with it the principle of governmental responsibility, which includes "as many reasonable laws as are necessary."

Mr. Maverick deplored the tendency in some quarters to "let business alone" and to "keep politics out of business and industry," asserting that the result would be the destruction of all competitive business as it is now known, financial chaos, unemployment and economic collectivism.

Lashes at Cartels

He lashed out at monopolies and cartels, urging that the Department of Justice expand its present program of prosecuting illegal restraints of trade. Honest big business wants this, he said, and small business must have the freedom from unlawful combinations and restraints.

"The war has revealed that our national safety was threatened by the existence of German cartel arrangements with American concerns," he added. "Let us have nothing to do with cartels except to wipe them out."

This country can look ahead to full production, high wages, low costs and expansion so that all business can move ahead and explore new fields of economic activity, he declared. Capital will flow into dozens of industries if competition is free.

Recalling that when Germany is defeated, there will be 30 per cent or more in cutbacks, Mr. Maverick told the businessmen attending the three-day conference that meantime civilian production must get under way "without further talk-talk."

"Speed into reconversion of little business, which should have

started yesterday, is imperative, so as to prevent a dangerous lag in production," he warned. "So emphasize, let small business start in civilian production immediately."

Pockets of Surplus Labor

The more production that can be begun now, the more it will cushion the concussion of reconversion, he asserted, stressing that in some areas today there are pockets of surplus labor while in others there are surpluses in materials. Bring the two together, he said.

He praised the Government Contract Settlement Act, stating that without it all business, big and little, would face confusion and widespread bankruptcies. No expense, he said, should be spared in making it possible for the machinery of this Act to move with utmost speed.

Mr. Maverick proposed the establishment of policies concerning disposal of all types of surpluses, adequate financial opportunity for small businesses including interim financing and reconversion loans; a tax program to encourage venture capital; a system of technical advisory assistance, aid to veterans in setting up businesses, and reasonable unemployment compensation.

Tomorrow's sessions of the conference will include panel discussions of the future of small business, contract termination, reconversion and postwar planning policies. James V. Forrestal, Secretary of the Navy, will make an off-the-record talk to Institute personnel on Saturday.

FEBRUARY 9, 1944

Action Is Taken to Assist Conversion of Small Plants

FEB 9—1944

Mead Bill Asks Special Finance Corporation Under Federal Reserve

(Bureau of Journal of Commerce)

WASHINGTON, Feb. 8.—Congressional champions of small business contend that prewar competitive relationships should be disregarded in determining the role that small plants are to play during the early stages of reconversion.

The Congressional attitude was reflected today in statements made by Senator James E. Murray (Dem., Mont.), chairman of the Senate Small Business Committee, and by Senator James E. Mead (Dem., N. Y.), an active member of the committee.

With some industry opinion yearning to the belief that the surplus disposal program for the benefit of small plants has been held up by inability of WPA to reach a definite decision on the question of preserving prewar competitive conditions, the matter took on broad legislative possibilities today as Chairman Murray warned that a program must be laid down at once to encourage resumed civilian manufacture by small plants.

Also disclosed by the statements of the two Senators were the following:

1. A measure has been drafted by Senator Mead for the creation of a small business finance corporation within the Federal Reserve System to serve as a permanent financial foundation under the small business structure of the country.

"Through this corporation," Senator Mead said, "small business could secure working capital funds for periods up to ten years. Moreover, these funds would be accom-

plished without the necessity for a Congressional appropriation or the creation of a new agency.

The working capital of the corporation would be secured by the transfer of funds now held by the Treasury. Administrative and operating personnel for the corporation would be obtained from among the trained staff of the Federal Reserve System. Similarly, office space and other facilities of the Federal Reserve System would be used by the corporation. Thus providing quarters in each Federal Reserve District as well as in Washington.

2. The Small Business Committee has under consideration a bill to extend the life of the Smaller War Plants Corporation and broaden its lending powers to include reconversion and termination loans.

"We hear considerable talk now," Senator Murray said, "about the inequity of permitting small plants to resume civilian production while the big plants are still tied up in war work. It is argued that it would be an unwise and unjust policy to permit the small civilian goods manufacturers to reconvert while their big competitors in the same field are still tied up in war production.

This argument is designed to justify a policy of preventing small concerns from engaging in civilian production until the big concerns are also able to resume. It is quite as unsound as the former argument that war production was a program exclusively for big plants.

"When the Congressional small business committees made a struggle to induce the War Production Board and the Procurement Agencies to give small plants a part in the production program, we were told that the country was in a desperate war—that the War Production Board and the war agencies

had to get production where they could get it quickly.

"They said that small plants should be regarded as casualties of the war. They said that the War Production Board and the war agencies should not be expected to serve as relief agencies for small business and thereupon proceeded to build \$16,000,000,000 worth of new plants over the country.

"No effort was made to utilize the existing facilities in the small plants, a program which would have rendered unnecessary a large part of the costly plant expansion

which took place. In other words, no regard was given to the consequential effect of our war production policies on small business.

CONGRESS ASKS LAWS TO SPEED RECONVERSIONS

N. Y. Sun
Demands for Legislation
Are Heard as Result
of Brewster Trouble.

BARUCH REPORT NOT ACTED ON

Nothing Yet Done to Carry Out
Necessary Steps Outlined
for White House.

By PHELPS ADAMS.

Special to The New York Sun.
The New York Sun Bureau, 1
Washington, June 1.

Demands for the speedy enactment of legislation to facilitate industrial reconversion were voiced widely here today as officials of the War Production Board sought to assure work for the New York plants of the Brewster Aeronautical Corporation. Though several months have elapsed since Bernard M. Baruch sent to the White House his comprehensive report outlining the necessary legislative and administrative steps leading toward prompt industrial demobilization, little real progress has been made here in setting up the machinery through which reconversion may be effected as war plants fall idle.

The lack of preparation has been dramatized by the "sit-in" strike of workers at the Brewster plants, following the Navy's announcement that the company's contracts for the manufacture of Corsair planes would be cancelled on July 1.

Other Jobs Available.

The situation as announced by the Navy at the time of the contract cancellation was that it had overestimated the need for replacement of these planes and that it no longer was necessary to use the full output of the three companies manufacturing them. Since Brewster's production costs were higher than those of the other two companies, it had been decided that the Brewster contracts should be canceled. It also was pointed out that Brewster had no other naval contracts and no prospect of getting any.

Meanwhile other government agencies are understood to have informed the Navy that they would have no difficulty in finding essential jobs for the 12,500 Brewster workers displaced by the Navy's cancellation.

NEW YORK SUN

JUNE 1, 1944

26.

The difficulty, however, was that if these workers were scattered about the country in other jobs, the local union at Brewster would be broken up, and would lose its revenue from dues. Likewise, the company had no other work which would utilize fully the facilities of its plants. Both labor and management, therefore, joined in appeal that the Government provide other work of a similar nature for the Brewster plants, machines and men. In an election year, this appeal fell with powerful effect upon administration agencies at Washington, but instead of finding a new contract for some vitally necessary war material, or for essential civilian goods which would help to combat the inflation menace, the WPA has hit upon a solution which, in the opinion of many persons here, has the essential characteristics of a "make-work" proposition of the old WPA variety.

Legislative Efforts Intensified.

The incident has served, it appears, to intensify the efforts of the sponsors of industrial reconversion legislation. Senator Walter F. George, of Georgia, chairman of the Senate's Post-war Planning Committee, and Senator James E. Murray of Montana introduced yesterday an amended version of their industrial demobilization bill, while Senator George made an urgent appeal to his colleagues to expedite action on the measure to avoid repetition of the Brewster "sit-in" strike.

At the same time, the State Governors, in the closing hours of their thirty-sixth annual conference, at Hershey, Pa., adopted a resolution calling upon Congress for immediate action on reconversion plans and policies, with emphasis on the orderly demobilization of workers and the speedy termination of contracts and clearance of plants.

Brewster May Make Parts.

An engineering survey of the Brewster Aeronautical Corporation's plant in Long Island City will be studied today by War Production Board experts sent from Washington to determine the practicability of a plan for the firm to produce aircraft parts for the Chance-Vought and Goodyear companies, which are still manufacturing Corsair fighter planes for the Navy.

In justifying its abrupt termination of the Brewster contract, the Navy issued a detailed history of its relations with the company, and pointed out that current production costs per Corsair plane, exclusive of engines and after giving Brewster the most favorable treatment were as follows: Brewster, \$72,000; Goodyear, \$87,000. Chance-Vought, \$63,000. The comparative figures on man-hours required to produce each plane were announced as follows: Brewster, 9,800; Goodyear, 6,700, and Chance-Vought, 4,700.

Reached at the Hotel Edgemoor here Richard T. Frankenstein, International vice-president of the United Automobile Workers, C. I. O., the union representing the

Brewster employees, said that he was preparing a detailed statement.

"For the present, let me say that this Navy statement is only half truth," he said. "They do not tell you that when production at Brewster had reached the 600th plane, the Corsair was being made at a cheaper figure than at the same production figure at the other plants. We have no objection to the Navy trying to save its face after their bungling and their miserable handling of this situation, but the American people are not fooled."

The Navy said that for three years it had carried almost the entire load of financing Brewster; that it had guaranteed a V-loan of \$55,000,000, on which \$25,300,000 is now outstanding, whereas the company's total capital funds amount to only \$2,600,000, and that the Government built \$9,700,000 of the company's plant facilities, as compared with \$1,800,000 spent by Brewster.

"The Navy has no interest in putting Brewster out of business," the statement said. "Its every interest is to the contrary. But the Navy must have regard to proper use of the taxpayers' money. To buy 250 additional Brewster fighters, as has been suggested, would mean spending \$13,000,000 to \$25,000,000 for planes we do not need."

Byrnes Urges Quick Action On Contract Termination

Washington Post
Asks Bill Before
Recess, Speed on
Other Measures
For Reconversion

WASH. 12-18-1945

Testifying the contract termination work was "lumping" along in the shape of specific legislation, War Mobilization James F. Byrnes yesterday asked Congress to start the Murray-George bill before convention recess and to move ahead as rapidly as possible on other phases of reconversion.

Admitting that the Navy Department bungled the cancellation of the Brewster Aeronautical Corp. contracts by failing to give advance notice to the company's 3000 employees at Long Island City, N. Y., Byrnes insisted that it represented an exceptional case and praised the armed services for doing a "great job" of planning.

Appearing before the war contracts subcommittee of the Senate Military Affairs Committee Byrnes acknowledged that he subsequently ordered all future cutbacks cleared with the Production Executive Committee of the War Production Board in advance.

(This ruling, substantially increasing the War Production Board's authority over cutbacks, will be administered by the newly created reconversion staff of the Production Executive Committee.

Work for Millions More

Earlier the Senate's special postwar committee estimated that industry must employ 8 to 10 millions more people after victory than ever have been employed before in peacetime.

The report estimated that 2.5 million men will be released from the ground forces during the year following Germany's defeat at the rate of 500,000 to 250,000 a month, while after final victory the armed forces will be demobilized at a rate of 500,000 to 600,000 a month. It recommended a 16-point action program for Congress, many parts of which Byrnes endorsed in his testimony.

Highlights of Byrnes' testimony and other developments included:

1. Byrnes said that "war taxation should end with the end of the war," and called upon Congress to begin work on a postwar revenue bill, so that shortly after X-Day capital can be encouraged to invest in industry.

2. Provision for reconversion unemployment compensation of at least \$20 a week for 26 weeks a year for a period of two years, with the Federal Government insuring the State systems against extra costs, was advocated by Byrnes.

3. Byrnes filed with the committee a report by WPA Chairman Donald M. Nelson revealing that the WPA is now working on a reconversion plan which assumes a 50 per cent slash in war production in the year following the defeat of Germany. Earlier WPA studies, the Nelson report revealed, assumed that a 25 or a 30 per cent cut would occur, but a bigger slash is now expected.

4. Within 30 days, Byrnes said, the armed services will begin sending preliminary statements to war contractors indicating the percentage cut in outstanding contracts they can expect on X-Day. This data will be kept up-to-date.

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BYRNES

From Page 1.

To keep them in readiness for X-Day, Byrnes said. WPA will resolve the same information to guide its civilian production planning, he said.

5. "WPA is going to advise contractors in the next few days that, without waiting for X-Day, they should now place orders for such machine tools as they will require for civilian production," Byrnes said. "The machine tool producers will be authorized to manufacture such machine tools whenever plant capacity permits."

6. Byrnes opposed any revival of the Works Progress Administration in the belief that unem-

ployment officers would be "handed capped" if the legislation wasn't passed before recess and pointed out that more than 1400 contracts were terminated in the month of April alone.

In his formal statement, Byrnes repeated previous assertions that he did not plan to remain as director of war mobilization to handle reconversion.

Asked by a reporter to explain his stand, Byrnes replied:

"I got off the Supreme Court to undertake mobilization, and when mobilization is over, I've got other things I want to do in life."

Senator James F. Murray (D., Mont.), chairman of the subcommittee hearing Byrnes and co-author with Senator George of two reconversion measures, opened the hearing by stating, "Unfortunately, our plans for peace have not kept pace with the progress of the war."

Byrnes stated, "Today we are prepared for war, but we are not prepared for peace."

He said that the War Department was further advanced than the Navy with respect to reconversion planning, but pointed out that the Navy program will not be cut back as much as that of the Army with the collapse of Germany.

Unemployment insurance was characterized by Byrnes as "our first line of defense against unemployment" and Murray expressed the view that it was the most important element in the general George-Murray bill.

Byrnes said he favored permitting the States to fix unemployment compensation rates as long as they provide for payment of at least a maximum of \$20 a worker for 26 weeks a year. Originally Byrnes said he favored providing at least \$25 a worker, but changed his mind after the G. I. bill of rights just approved by Senate and House conferenced fixed a \$20 rate for unemployed discharged servicemen.

Meanwhile, WPA Executive Vice Chairman Charles E. Wilson, who heads the Production Executive Committee which has been given a key role in reconversion—announced designation of WPA Vice Chairman Arthur H. Barker as vice chairman of the FEC and director of the FEC staff.

Membership of the staff, announced yesterday, includes Stacy May, director WPA statistics division; William B. Murphy, deputy production vice chairman, WPA; Lieut. Col. William H. Hutchinson, production division, Army Service Forces; Maj. William Hodgkinson, Jr., War Department resources division; Lieut. Comdr. Sinclair Hatch, Navy Department office of procurement and material; Capt. Donald Boyce, production division, Navy Bureau Aeronautics; Lieut. Comdr. Morris Dismar, Navy Bureau Aeronautics.

J. N. Franklin, Maritime Commission; William A. Haber, War Manpower Commission; Bertrand Fox, assistant director WPA program bureau; Wade T. Childress, WPA deputy vice chairman; Robert B. Bradford, WPA Office of Civilian Requirements; Irving Brown, WPA Office of Labor Production; Maj. Ralph Hetzel, WPA Office of Manpower Requirements; Donald Davis, WPA vice chairman; Albert Butler, Office of WPA Metals and Minerals vice chairman.

Army Will Demobilize Fighting Fathers First

Fathers in service who have seen duty on a fighting front will be among the first demobilized, War Mobilization James F. Byrnes revealed yesterday.

Demobilization standards have been set in accordance with interviews with soldiers and sailors, Byrnes said, and 50 per cent favor giving preference to those who have seen service at a front, with fathers to get a priority over nonfathers.

employment will be of "relatively short duration," he suggested that a public works program be developed for "emergency use."

Reconversion legislation—growing largely out of the Hatch postwar report—falls into three general categories: 1, contract termination including the Murray-George bill which has passed the Senate, and bills before the House sponsored by the Judiciary, Military and Naval Affairs Committee; 2, general demobilization policy legislation including the George-Murray bill (as distinguished from the Murray-George measure) and the Kilgore bill—both before Senate committees—and 3, legislation on disposition of surplus property, still in the drafting stage.

The House Judiciary Committee version of contract termination legislation—which is closely related to the bill which has already passed the Senate—has been cleared by the House Rules Committee and is scheduled for debate this week.

Byrnes said he would be "an optimist" to expect any action on anything but the contract termination measure before the expected convention recess in about 12 days. The report of the postwar committee headed by Senator Walter F. George (D., Ga.) commented:

"Congressional attention to these matters cannot wait. Prompt action on them is of transcendent importance and this committee feels most strongly that no extended congressional recess should be considered pending their disposition. The very destiny of the nation may depend upon wise and prompt decisions in respect to them."

Byrnes said that procurement efforts in the field were in doubt with respect to their authority and that terminations were not proceeding in a "satisfactory" way because of the absence of legislative policy rulings. He said that pro-

JULY 10, 1944

Nelson Retort Expected

WASHINGTON POST

WPB Speeding Reconversion;
Showdown With Military Near

JUL 10 1944

By Felix Cotten

International News Service Staff Writer

Four orders for gradual reconversion of industry to peacetime production were in final stages last night as two factions of top-ranking Government leaders braced themselves for a showdown on the question of putting them into effect.

Chairman Donald M. Nelson of the War Production Board, it was learned, probably will reply in the next couple of days to the letter from the joint chiefs of staff viewing the proposed reconversion orders with alarm.

Meanwhile, Sens. Harry S. Truman (D., Mo.), chairman of the Senate Committee Investigating Progress of the War, and James E. Murray (D., Mont.), chairman of a Senate Military Affairs subcommittee at work on reconversion legislation, said they would back Nelson to the limit.

The reconversion orders, intended to start the enormous task

of restoring the Nation's economy to a civilian production basis, were sent to the order clearance committee of the War Production Board Saturday, it was learned.

This is one of the last steps before putting orders into effect, and unless a road block is thrown in the way of the orders, they should be issued in the next day or two, officials explained.

In view of the protest of the joint chiefs of staff, uncertainty exists as to whether the orders will be issued immediately. There was a possibility, officials said, that the matter might be placed before President Roosevelt for decision, although War Mobilization Director James F. Byrnes has approved the orders.

Those opposing the reconversion move are Army and Navy leaders, who are fearful of the effect on

See CIVILIAN, Page 14, Column 5.

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From Page 1.

war production, and Paul V. McNutt, chairman of the War Manpower Commission, who feels that new manpower controls might be destroyed.

Nelson, in a fighting mood as he props up in bed during his convalescence from pneumonia, does not intend to let the battle drag, it is said. He is expected to dictate a bedside reply to the letter from the joint chiefs of staff.

Murray Would Seek Law

Senator Murray said that, if necessary, he would introduce in the Senate a bill to put the Nelson reconversion program into operation.

Truman declared that, if the orders were blocked, his committee would hold hearings "to see that the facts get before the public." He added: "We have been making a full investigation of this whole matter, and we shall act unless something is done."

Murray declared opposition to the reconversion program came from big industrial interests which "do not want to see smaller concerns resume civilian production while they are tied up with war contracts."

Army and Navy officials, he said, "unconsciously reflect this viewpoint." This is natural, he observed, since "they look to the big manufacturers for most of the war production and rely on people who represent their viewpoint for advice on economic matters."

Unemployment Feared

Murray quoted Dr. Melvin T. Copeland of Harvard University as saying millions of persons would be thrown out of work if reconversion should be delayed until all manufacturers got an even start in manufacturing civilian goods.

The pending WPB reconversion orders would provide for the following:

1. Make surplus quantities of aluminum and magnesium available for civilian production.
2. Allow manufacturers under certain conditions to make experimental models of civilian goods.
3. Permit manufacturers to place orders for machine tools for civilian

production on a deferred delivery basis.

4. Grant manufacturers the right to resume civilian production where a "spot check" by WPB regional directors showed that neither manpower nor materials needed for the war effort would be used.

MARCH 1, 1944

Tucker Urges Reconversion Plan Action

MARCH 1, 1944

By S. Oliver Goodman
Immediate action on the Baruch-Hancock reconversion plan was advocated by Arthur R. Tucker, managing director of the Controllers' Institute of America, at a meeting of the District of Columbia Control last night in the Carlton Hotel.

The technical details of carrying out the procedures suggested in the report will fall on the shoulders of controllers, Mr. Tucker said, adding that regardless of whether the Baruch-Hancock plan is effectuated by directives or by legislation "the important thing for business and the country is to translate it into action now." Subject of Mr. Tucker's talk was "What the Baruch Plan Means to the Controller."

Quoting the phrase "Unemployment by Audit" which appeared in the original report, Mr. Tucker underscored the authors' warning against detailed review of every settlement by the Comptroller General before payment.

"Messrs. Baruch and Hancock," he said, "made it perfectly plain that this bottleneck should not be tolerated. In their own words, if such an audit before payment were decreed, no war contractor would know where he stood. Prime contractors would be unable to pay subcontractors; banks would be reluctant to make adequate loans, and billions in working capital would be frozen. The delays in settlement could force many concerns into bankruptcy. It would mean unemployment by audit."

MARCH 17, 1944

KEY TO FUTURE SEEN IN PLANS MADE NOW FOR RECONVERSION

MAR 17 1944

Kaiser, Johnston and Reuther
Demand Action to Avert
Depression After War

DIVIDE ON RESPONSIBILITY

But Call for Cooperation Among
Their Groups and Government
as Possible and Desirable

Agreement that we must begin to plan now for the conversion of America's huge war industries to peacetime activities if we are to avert a post-war depression was expressed last night by one of the foremost industrialists of the United States, by a spokesman for the organized business community and by a prominent labor leader at a meeting in The New York Times Hall, 240 West Forty-fourth Street.

The speakers at the meeting, one of a series that has been arranged by THE TIMES on the topic "America Plans and Dreams," were Henry J. Kaiser, president of the Henry J. Kaiser Company; Eric A. Johnston, president of the Chamber of Commerce of the United States, and Walter P. Reuther, vice president of the United Automobile Workers of America, an affiliate of the Congress of Industrial Organizations.

Speakers Questioned From Floor

Arthur Krock, chief Washington correspondent of THE TIMES, presided over the meeting and at the close of the prepared addresses conducted a panel discussion in which the speakers answered questions from the floor. The first part of the meeting, from 8:30 to 9:15 P. M., was broadcast over Station WMCA.

Although the urgency for making plans now for tackling the job of conversion was conceded by all three speakers, they disagreed markedly on the nature of the planning they proposed. Mr. Kaiser held that the principal responsibility for planning must rest squarely on management. Mr. Johnston called for "clear definition of the rules of the economic game" to enable business to make its plans. Mr. Reuther contended that Government coordination and direction of the process would be essential.

Despite their differences, however, the speakers agreed that America need not fear the future if it approached the problems that lie ahead with courage, resolution and foresight. They avowed a common belief in the possibility and the desirability of cooperation among labor, management and Government.

Stresses Fighters' "Morale"

Mr. Kaiser, declaring that the theme of the meeting, "Conversion Without Depression," was "a second call to arms," said that one of the most important elements contributing to the morale of our fighting men was their belief that the United States would again provide them with "an abundant opportunity to live the good life."

"Again and again it has been said that we can win the war and lose the peace," Mr. Kaiser said. "In a definite sense this would be almost as great a tragedy as defeat. The truth is we dare not have depression and unemployment. When I say this I am no thinking of the oft-repeated threat of revolution. It is altogether too easy to raise that bogey against everything which we do not happen to like. I have in mind our solemn obligation to provide opportunity for all who want to take part in the rebuilding of the American economy."

Conceding that the timing of reconversion was exceedingly difficult just now, when a gigantic military offensive is impending, Mr. Kaiser nevertheless contended that planning for it must not wait. Warning that the necessity for reconversion might come upon us with little advance notice, he said it might catch us as unprepared as we were at Pearl Harbor.

Mr. Kaiser declared that it was generally admitted that the peak of war production has passed. Stockpiles have begun to appear, he said, and war contracts are being terminated every day. The manpower shortage has been substantially relieved by the increased efficiency of war plants, he said, and "the shadow of unemployment darkens the rim of the sun."

"I wish I had the eloquence and the power to persuade, every authority and everyone who hears my voice to observe the danger signals which are now apparent," Mr. Kaiser said. "It is a grave mistake to suppose that reconver-

Continued on Page Twelve

PLANNING NOW SEEN KEY TO THE FUTURE

Continued From Page One

ation can await the declaration of peace. It could be a tragic blunder."

Mr. Kaiser pointed out that even while recruiting for the armed forces is still going forward, more than 1,000,000 men have already been returned to civilian life and that there was evidence that an additional 750,000 would join them by the end of 1944. He said that the tempo of reconversion must be quickened as the need for war production declines.

"Our planning should be solely along material lines," Mr. Kaiser asserted. "One of the prime essentials will be the will and the courage to labor together within the framework of our political and economic organization. There must be the forthright recognition that in a machine age, the great mass of humanity must work for wages. This is not to say that the channels of opportunity for individual enterprise will be closed; but mass production under power-driven machinery clearly delimits the types of business organization which can prevail.

"Therefore, the principal responsibility for post-war planning must rest squarely on management. Experience will weigh heavily in that next great upswing of economic and material progress."

Mr. Kaiser said that a vast army of men with managerial skill would emerge from the war, after having acquired superb resourcefulness in that most difficult of all fields. He called for entrusting to these young men, with their vigor, enthusiasm and vision, the major task of post-war construction.

"Let's go back into the risk business," he concluded. "Accept all the hazards of enterprise and do a heroic job of building. This was the spirit of America. Can it be any less so today? Every fighting man is listening for the answer. In battle, yes, and in sacrifice, they know that America will not fall short of the promise which she is so abundantly able to fulfill."

Johnston Hails the Individual

Mr. Johnston, maintaining that "America and capitalism are synonymous," said that the individual American had found a competitive capitalistic society to be "the most stimulating to his creative instincts." He held that the individual was the key to economic accomplishment.

"The problem is to remove artificial shackles on his creative energy; to rule out regulation that acts as a straight-jacket on ambition, on invention, on economic venture and technological pioneering; to restore normal human incentives of reward and accomplishment," Mr. Johnston continued.

Asserting that the conversion of machines and materials to peacetime uses would be relatively simple and could safely be entrusted to American mechanical genius, Mr. Johnston said that the more

difficult phase of the transition from war to peace would be in "psychological conversion."

"Clear definitions on the rules of the economic game at the earliest possible moment should go far toward this psychological conversion," he said. "Until they are established, economic processes will be dogged by fear and uncertainty. There are those who have businesses—and therefore jobs for multitudes—to preserve. There are those who plan to start new businesses, and therefore to create new jobs. They cannot act so long as there are paralyzing fears that they will have to contend with Government competition; or with punitive taxation; or with threats of monopoly pressures from any source."

Calls for Steady Jobs

Calling for strengthening State unemployment insurance laws wherever it is practical and necessary, Mr. Johnston said that the important goal was the restoration of workers to "steady, well-paying jobs at the earliest possible moment." He said that we must increase our knowledge of labor supply and of job opportunities to give flexibility and mobility to labor.

"Remember, too, that jobs must be found for the returning 'veteran,'" he said. "Rehabilitation and retraining of the veteran must be geared to the objective of fitting the veteran into normal civilian life—either as a job-holder or as a job-maker. Veterans do not want handouts; they want opportunity."

Mr. Johnston called for the establishment of procedures for prompt settlement of war contracts; for formulation of a policy for disposing of Government industrial plants and equipment that he estimated have added one-third to our industrial capacity, and for agreement on a policy for disposing of "roughly \$50,000,000,000 worth of Government-owned materials and supplies." He said that local communities should not bring pressures to bear to keep all these plants operating after the war.

He called also for revision of the entire tax structure to encourage "risk-taking and job-making," and for cooperation between labor and management, resting on mutual recognition of common interests.

Reuther Demands Action Now

Mr. Reuther warned that peace would find the nation equipped with the greatest productive capacity in its history, but that economic chaos and mass unemployment would follow unless plans were made now for utilizing this capacity. He declared that our experience in two world wars has proved that "without Government initiative the effective mobilization of our national economic life and productive effort cannot be achieved."

He proposed the creation of a Peace Production Board, composed of representatives of Government

management, labor, farmers and consumers, with authority to plan, organize and direct the conversion of our war economy into peace production "so as to achieve full and continuous employment." He said it should have authority over distribution as well.

Maintaining that political democracy cannot survive without economic democracy, Mr. Reuther said that the Peace Production Board should establish industry councils in each major industry, composed of representatives of management, labor and the consumer in the case of consumer industries, and of representatives of labor, management and the Government in the case of industries processing such national resources as coal, oil and lumber.

As for the disposal of Government plants and facilities, Mr. Reuther urged that the Government should operate as a yardstick Government-owned plants in monopolistic or semi-monopolistic industries, or in those strategic to national welfare and defense. He said the Government should lease to private industry facilities for use for civilian production, with guarantees to protect the rights of Government, labor and the consumer.

Stresses Need for Housing

Declaring that housing must become "America's No. 1 post-war industry," Mr. Reuther said that every narrow vested interest that has blocked technological progress in this field must be brushed aside. He said that the full application of mass production techniques and advanced technology would make available good housing at low cost to millions of Americans now denied them. He proposed the con-

version of government-owned aircraft plants to the mass production of prefabricated, low-cost homes.

Mr. Reuther proposed the creation of a "strategic job reserve" in the form of a far-flung public works program to include housing, hospitals, schools, recreation centers, flood control and power developments, rural electrification, waterways, highways and airports.

conservation projects and other measures.

"Finally, we must see to it that our tremendous technical progress works for democracy and jobs, not for reaction and unemployment," Mr. Reuther said. "The Peace Production Board should formulate procedures for the universal application of a thirty-hour week. With the full realization of our productive potential, a thirty-hour week can easily be the productive equivalent of our pre-war forty-hour week. Post-war security to the individual worker must be based upon a guaranteed annual living wage."

Mr. Reuther declared that too often "free enterprise has meant business-as-usual, unemployment-as-usual, and human insecurity-as-usual." He said that we should attempt a system of cooperative enterprise based upon the assignment of certain specific responsibilities to ownership, management and labor and government.

G. M. FOR START NOW ON RECONVERSION

By MAR 23 1944
Wilson Tells Post-War Inquiry

Fraction of Materials Can
Prepare Peace Basis

By KATHLEEN McLAUGHLIN

Special to The New York Times

WASHINGTON, March 22.—Charles E. Wilson, president of the General Motors Corporation, recommended today to the House's Special Committee on Post-War Policy that the reconversion of industry begin immediately rather than on the day of armistice.

Necessarily, he conceded, it would have to be done on a small scale, but he insisted that the importance of that fraction of the effort indispensable to a return to normal production would be out of all proportion to its volume. He estimated that one-tenth of 1 per cent of critical material, diverted for experimental purposes, would be enough and could be spared at this time. "The first ten of any product are the hardest to make," he said. "Ten multiplied by ten easily makes a hundred, but ten times nothing is still—nothing."

The committee, of which Representative M. E. Colmer of Mississippi is chairman, was told that a plan drawn up by executives of General Motors Corporation for systematic conversion of its plants will be submitted to it.

New Machine Tools a Problem

The immediate and most serious bottleneck in the automotive industry, Mr. Wilson said, will be machine tools. There will be an acute need for 3,500 to start, he said, without which nothing can be manufactured, and later at least 45,000 will be required. Of 40,000 belonging to the Government and now in plants, he reported, a rough check has shown that about 15,000 are probably adaptable. The others are too large, too small, or of the wrong design.

General Motors' plans, Mr. Wilson disclosed, include the development of ten more plants immediately after the war. These may be set up in buildings taken over from the Government, or in new buildings erected for the purpose. They will call for an investment of \$50,000,000, an eventual payroll of 100,000 against a peak of 201,000 in 1939 was expected, he said, exclusive of 200,000 in the distributing field.

The number of employees on war work, he added, is 465,000 in this country and about 400,000 abroad.

Representative Charles A. Wollerton of New Jersey asked how General Motors people will be employed in the transition. A major factor, was the reply, was as great a reduction as possible in how long transition takes. Members of Congress could contribute to saving time by supporting the efforts of manufacturers to obtain the materials and the machines they need for quick conversion.

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Should Germany be defeated and the country was left at war with Japan only, Mr. Wilson thought that from 50 to 75 per cent of the war contracts might be canceled, with the implication that production power might be transferred to civilian needs.

The witness said he believes that the present level of steel production could be maintained after the war, and supply enough material for a 50 per cent expansion of the durable goods industry for the country as a whole.

Uses Much More Steel in Peace

General Motors, he revealed, is using considerably less steel in war production than during peacetime—having reduced its monthly consumption from 250,000 tons to 75,000.

"The whole matter of post-war production," Mr. Wilson said, "comes back to whether the people are willing to work for what they want. I do not think they will want to work as long as they have been doing—if so, we were certainly wrong in initiating the forty-hour week. The thing industry fears is that rules, regulations and paper work will get in the way of the job."

Thirty-five thousand of the General Motors employees are women, Mr. Wilson said.

"The women in our plants are making a great effort to qualify," he declared, "and their attitude makes up for a good deal. Whether the romance will go out of the work after the war I do not know."

"Do you contemplate forcing women out of industry?" asked Representative Francis E. Walter of Pennsylvania.

"It is not our policy," was the reply, "to force anybody to do anything. We anticipate that a good many of these women will voluntarily leave as peace comes, to go back to their own homes or into other things."

10,000 Veterans Now Employed

General Motors, he said, has taken on about 10,000 demobilized soldiers, of whom 3,500 had previously been employed.

To date, the corporation has had about \$800,000,000 in war contracts cancelled, "some of which delighted us."

"For instance," he said, "there was one for anti-aircraft guns to protect Washington, New York and other cities from the bombing raids that never happened. It made us pretty happy to get that one off the books."

In an interview later, Mr. Wilson said not to expect any radical change of design in the first automobiles produced after the war, due to the difficulties involved in redesigning.

"We will give them some improvements," he prophesied, "because practically for the first time, our customers have had their cars for three years running, and they have had a chance to know more about them than ever before. Consequently we have had some good suggestions on changes."

MARCH 7, 1944

MAR 7 1944
Quotas vs. Production

Between the third annual report of the Senate's Truman committee on the national defense program (now become a committee on conduct of the war on the home industrial front) and certain recommendations of the Baruch-Hancock report on reconversion procedures there is at least an apparent conflict. The committee wants industry to return to unrestricted production of civilian goods as rapidly as materials and manpower not needed for the war permit. The Baruch report asserts that "no manufacturer should be allowed to jump the gun on his competitors" while the latter are still busy with war contracts, but that this rule should not be allowed to hold back production of needed civilian goods.

Here is a significant difference in emphasis. The committee puts civilian goods production first while Messrs. Baruch and Hancock appear to regard some sort of equalization of competitive opportunity among manufacturing units as the more important thing. The War Production Board's advisers are attempting to work out a plan which will deal equitably among competitors, release full civilian production and in no wise interfere with the home war effort.

We believe there is no possibility of thus equating competition without more or less choking back civilian production. The equity objective is good in itself. Perhaps in some situations it can be served without harmful effects on production and employment. But in general the quotas of permitted output imposed to equalize competitive advantage would hold production below what materials and manpower would otherwise allow.

If some manufacturers must be held in war production after competitors have become free to go after the waiting market for their peacetime goods, why cannot procurement agencies and price adjustment boards take their resulting disabilities into consideration when they determine legitimate profits on war work? Such compensation could only be roughly measured but the results would doubtless come as near to even-handed justice as any restrictive quota regulation, if not nearer.

We agree with the Truman committee that "There is too great danger that such controls would be self-perpetuating, especially if the war should last a long time." There is the further objection that they will not and cannot be administered with supernal wisdom.

MARCH 17, 1944

Journal of Commerce
Retailers and Reconversion
MAR 17 1944

Retailers have a major interest in the rapid reconversion of industry to the production of civilian goods, whenever this can be done without interference with the war effort. The stand taken by the Truman Committee of the Senate that industries which are no longer needed for

war work should be permitted to reconvert now, contrary to the policy being pursued by the armed services and WPB, should strike a responsive chord among retailers generally.

As inventories decline, retailers encounter increasing difficulty in satisfying the needs of their customers. While a seller's market now prevails, and merchants can dispose readily of many products they would not think of offering in time of peace, they know that they run the risk of losing good will if they offer more and more substandard goods for sale. On the other hand, if the output of civilian goods is allowed to expand as materials, equipment and labor become available, retail stores would be sure of satisfying pressing needs of customers who are under more and more pressure to buy durable goods for replacement.

A reasonable program of industrial reconversion now, furthermore, would hold down to some extent the size of the backlog of accumulated deferred consumer buying. Any moderation of the postwar buying rush would obviously help to abate the danger of inflation at that time. This would help to make continuation of price controls in the postwar period less necessary, for more orderly distribution conditions would thereby be fostered.

These considerations should bring out support from retailers generally for the Truman Committee's recommendation that reconversion to peacetime production should not be postponed merely because larger production of civilian goods might have some psychological effect upon the intensity of the war effort.

JULY 10, 1944

Reconversion Gets Tangled In The Manpower Controversy

It is a grave controversy which has broken out in the War Production Board over the timing of plans for reconvert-ing industry to peace production. Chair-man Nelson and some of his top aides feel that reconversion can be begun, in what they consider guarded and modest ways, as of now. What appear to be a majority of his aides, however, with the emphatic support of the chiefs of staff, disagree. And the chiefs of staff even suggest that the Nelson plan is "not consistent with the all-out prosecution of the war."

Senator Truman, in a statement somewhat accusatory in tone which sides with Chairman Nelson's, says that "the army and navy representatives want to create a surplus of manpower with the hope that the consequent pressure on unemployed workers would result in some of them shifting to occupations or areas in which there is still a [war production] manpower shortage. . . ." In other words, Senator Truman concedes that manpower questions are at the bottom of the row over reconversion.

Now, note that the Senator does not deny that manpower shortages exist in war production. He does seem to suggest that the army and navy propose the wrong route to correct them. But a decision on that point would be influenced to some extent by the gravity of the shortages. If the shortages really are grave and if other methods of meeting them are lacking, perhaps the service representatives can make a case for their position.

As it happens we have recently had clear testimony from the service departments on just this point. A week ago the War Department spoke of damaging deficits in production schedules involving such basic military items as trucks, tires and steel. The War Department assigned definite causes for the shortages in only one category—it said that the steel deficits were attributable to "manpower shortages."

It may be, then, as Senator Truman says and as the chiefs of staff do not deny, that they are motivated in their attack on the Nelson plans for early reconversion by their hope that men released from one form of war production would have to shift not to civilian production but to other urgently needed war production. But is this effort to solve manpower problems by a somewhat oblique route an altogether heinous offense on the part of the service representatives? Is it not rather an inevitable result of the Administration's long and stubborn refusal to adopt any kind of manpower policy which would directly guarantee to war production the same kind of adequacy in manpower as the draft act gives to the military services?

Obviously no one would deny that an early and clear policy for reconversion to peace production is one of the necessities not merely for the peace but for the later stages of the war. In preparing such plans Mr. Nelson has surely served the national interest. It is too bad, too, that the reconversion issue has become entangled with the manpower issue, that the service departments should apparently feel compelled to seek a cure for manpower shortages in resisting present reconversion plans.

But surely the whole fault for the situation does not rest with the service departments. They have fought steadily and hard for a national service act to match in some degree on the civilian front the draft act to which they look for military personnel. If manpower and conversion get tangled in damaging public controversy, some of the fault must be shared by interests in and out of the Administration which so far have frustrated all efforts at a firm solution of the home-front manpower problem.

MAY 3, 1944

N. Y. Herald Tribune **Reconversion Legislation Lags**

Speaking before the Bond Club of New York on Monday, Emil Schram, president of the New York Stock Exchange, urged that the tax structure be revised without delay in the interest of expediting the conversion of industry from war to peace. It will not be time enough to remove the tax impediments to the free flow of short-term credit and long-term capital after the termination of hostilities, observed Mr. Schram. "Business, large and small," said he, "must know what the tax formula is to be for the post-war period if it is to set up its budgets, allocate its funds and be prepared for the change-over to a peace-time basis."

MAY 3 - 1944

This is a point that Schram stressed too greatly. Much the same recommendation is made in the Baruch-Hancock report on war and post-war adjustment policies. Until it is definitely known, said that report, that post-war taxes are to be reduced the launching of new enterprises and the expansion of old ones will be deferred. Messrs. Baruch and Hancock suggested, as does Mr. Schram, that this problem be tackled without delay. "A post-war tax law," said they, "should be drafted now, during the war, and put on the shelf, to go into effect at the end of the war."

Mr. Schram's tax proposals come as a reminder that, while there is general agreement concerning most of the things that should be done by way of preparing for reconversion, Congress continues to be lamentably slow in putting these ideas into legislative form. It was reported late last week from Washington that the Senate Military Affairs Committee had unanimously approved a rewritten war contract termination bill and that it would recommend "immediate action" on it this week by the Senate. The measure represents a compromise with the Baruch proposals on certain points, notably in providing an independent office of contract settlement, headed by a Presidentially appointed director, instead of placing the work under the Office of War Mobilization; but for the most part it follows the constructive recommendations of the report. In the House, unfortunately, progress on termination legislation has been less satisfactory. The House Military Affairs Committee and the Naval Affairs Committee have their own separate bills, while the House special post-war planning committee, headed by Representative Colmer, is considering still a third plan, differing in many respects from those of the other two committees.

Not only is there a complicated inter-committee situation in the House, but in that body there is a tendency, apparently, to make the Comptroller General the dominating authority in contract settlements. The May bill, for example, would authorize the Comptroller to make an audit of each contract before final settlement. It would be extremely unfortunate if the legislation finally enacted should depart from the sound proposals of the Baruch-Hancock report on this important point. The Senate measure wisely restricts the functioning of the General Accounting Office to the determination of fraud and of whether final payments have been made in accordance with the settlement agreed upon by the government and the contractor. Any compromise as among the several pending bills in the House should follow the Senate measure in this vital particular. The delays in settlement that might result from insistence on an audit of each settlement before payment could, as the Baruch-Hancock report so well put it, "quibble the nation into a panic."

Reconversion Shapes Up: WPB Gets Army Data on Plants To Be Freed for Civilian Output by Defeat of Germany

Wall St. Journal JUN 13 1944

Byrnes Reveals a Tooling-Up Plan: Senate Group Urges No U. S. "Interference"

From THE WALL STREET JOURNAL, Washington Bureau
WASHINGTON—Reconversion planning is shifting from the talk to the action stage now that Allied troops have won a foothold on the continent of Europe.

Major developments yesterday:

The Army has advised the War Production Board of the plant capacity which will be available for the production of civilian goods on "X Day"—the day Germany falls.

War contractors will be allowed to place orders now for the machine tools they will need when military requirements permit them to resume production of their peacetime products.

Congress and Treasury experts will go to work, probably within a month, on a tax adjustment program designed to encourage private investment in the war-to-peace transition period.

The House and Senate have abandoned plans for a long summer recess and, after suspending business for the political conventions, will go back to work on unfinished parts of the demobilization program.

Urges Statutes for Reconversion

Appearing before a Senate Military Affairs subcommittee yesterday, War Mobilization Director James F. Byrnes predicted this country's war mobilization job will be completed by the end of the summer and urged early Congressional enactment of statutes to guide reconversion policy.

At the same time, the Special Senate (George) Committee on Post-War Planning that the Government adopt policies issued a report demanding a minimum of "Government interference" and advocating that the Government adopt policies which will instill confidence in all segments of the economy as a prerequisite to successful demobilization.

Mr. Byrnes and the George Committee agreed, in general, that: (1) Congress should create the Office of Demobilization now; (2) Congressional action on the Senate-approved contract termination bill should be rushed; (3) a surplus property disposal statute should be placed on the books without delay, and (4) the Government should help move workers from war centers, when they no longer are needed there, back to their homes.

WPB to Gauge Plant Capacity

It was Mr. Byrnes who disclosed that the W.P.B. has been informed of the cutbacks which will take place in the Army's supply program when Germany collapses. He said this will enable the Board to measure the plant capacity which will be made available for civilian production at that time.

The War Mobilization Director also made the announcement that war contractors will be permitted to place orders now for the machine tools they will need when they can resume production of goods for civilians.

Mr. Byrnes said the W.P.B. will advise these contractors of this within the next

few days and that the machine tool manufacturers will be allowed to fill orders whenever plant capacity permits.

As another step in tooling up for reconversion, Mr. Byrnes announced contractors will be enabled, through the Surplus Property Administration, to purchase now, for future delivery, the Government tools now in their plants.

Plans for Sale of U. S. Owned Tools

He said the armed services have asked the contractors to advise them which Government-owned machine tools in their plants they are interested in buying and also the tools they can store. Sales will be at prices fixed by the Surplus Property Administration and under terms that will give the Government the right to repurchase at the sale price if it needs the tools in the future.

Both Mr. Byrnes and the George Committee called for advance planning on the tax adjustments which will be necessary, when Germany falls.

"It is important that as soon as possible after X-Day, there be a revision of the tax laws that will encourage capital to invest in industry," Mr. Byrnes said. "The knowledge that Congress is working on a revision would encourage men to plan for investment of capital and for the employment of people." Wants Study Now of Post-War Taxes.

The George Committee said "an immediate study should be made of the problems of post-war taxation with a view to revising the tax structure so as to promote expanding production and consumption." The questions to be settled, the report said, include: "How much can we tax away the purchasing power of the low-income groups, who spend everything they make for consumer goods? What revisions in corporate taxes and surtaxes and in taxes on capital gains must be made to make ownership and equity investment more attractive? What impetus can be given through the tax laws to a greater production and use of producer's goods?"

The Committee observed: "Idle money cannot be productive money and idle savings do not provide production or jobs."

It was revealed in other quarters that the staff of the Joint Committee on International Revenue Taxation and the Treasury Department probably will be instructed within the next 10 days or two weeks to explore tax changes which would encourage investment and stimulate employment in the transition period. It was considered unlikely, however, that Congress would take any action on taxes this year.

Would Weigh Securities Act

The George Committee noted that tax revisions are not the only means of stimulating equity investment. It suggested that a study of the Securities and Exchange Act be made to determine to what extent it deters the floating of small new equity offerings because of the expense and trouble involved in complying with the law.

The Committee estimated jobs must be found after the war for 34 million to 56 million persons. This is higher than any peacetime employment level.

"The severity of the transition period and the ability of industry following that period to absorb 8 to 10 million more workers than it has ever absorbed before will depend very

New WPB Unit to Sort Out Army-Navy Cutback Data

THE WALL STREET JOURNAL, Washington Bureau

WASHINGTON—The War Production Board's reconversion group has been completed and will start meeting regularly three times a week, Charles E. Wilson, W.P.B. executive vice chairman, announced yesterday.

Known as the "staff" of the production executive committee, the group has a specific job of knowing about Army-Navy cutbacks far enough in advance so action can be taken by the W.P.B. It will "handle readjustments that grow out of changes in military production programs," Mr. Wilson stated.

Director of the staff will be Arthur H. Bunker, vice chairman of the W.P.B. and also vice chairman of the production executive committee. The staff will be composed of full-time members, including 17 from the Maritime Commission, War Manpower Commission, War Production Board and Smaller War Plants Corp.

largely on governmental policy," the report concluded.

The Government's job, the Committee said, is to create a proper "economic environment." There must be "confidence in the friendly attitude of Government" and a "certainty Congress will delegate the absolute minimum of its powers," it contended.

It predicted "a large percentage" of the smaller war bonds, which represent "pent-up savings," will be offered for redemption. Post-war financing "will not be done in the atmosphere of patriotism in which war bonds

are sold today," the Committee observed.

The 15-point program which, the George Committee said, must be considered immediately "if an intolerable unemployment situation is to be avoided," follows:

Establishment of an over-all demobilization office.

Speedy termination of war contracts and clearing of war plants.

Wise marketing of surplus war property.

Unemployment compensation, on which the Committee promised a full report in the near future.

Construction projects for which necessary materials must be made available "immediately upon the cessation" of the war.

Residence construction, on which the Committee will report later.

Migration and retraining of workers with avoidance of "freezing" excess-labor in war-boom areas.

Price controls and rationing studies to determine which restrictions should be continued and for how long after the war.

Post-war budget to eliminate all "unnecessary" expenditures.

Refinancing of Treasury obligations which will represent "immense" problems.

Revision of the tax structure to promote expanding production and consumption.

Equity investment stimulation.

Expansion of foreign trade.

Prevention of monopolies and trade barriers.

A study of delegation of congressional power with a view to holding them at an absolute minimum.

Elimination of overlapping governmental agencies.

AUGUST 1, 1944

Senate Committeemen Summoned Back to Washington to Speed Reconversion Bills

Wall St. Journal

Military Affairs Group Will Meet Thursday—Republicans Demand Quick Action

8/1/44

WASHINGTON (AP) — Senate Majority Leader Barkley, Kentucky, and Senator Reynolds, (Dem., N. C.), telegraphed absent members of the Senate Military Affairs Committee yesterday to return to Washington at once to act on reconversion legislation.

The telegram was made public by Senator Reynolds, chairman of the Committee, soon after Senator Vandenberg (Rep., Mich.) disclosed that Republicans would insist on early

action on bills to chart the post-war business and employment programs.

"It is imperative that members of the Senate Military Affairs Committee return to Washington at once in order that proper consideration may be given to vital and indispensable legislation dealing with reconversion, demobilization, and surplus property disposition, bills concerning which are now pending in the Military Affairs Committee," the telegram said.

It set a session for Thursday.

Senator Vandenberg (Rep., Mich.), chairman of the Republican Senate Conference, conferred with Senator Taft (Rep., Ohio) and acting Minority Leader White (Rep., Mo.), and then told reporters:

"Our opinion is that it is absolutely vital

that Congress should conclude the reconversion legislative program with the least possible delay, because the battle news is at least sufficiently encouraging to require that the home front should be ready for the economic impact of a German defeat."

Calling surplus property disposal machinery and unemployment compensation programs the "immediate problem," Senator Vandenberg said "it is our view that the Senate Military Affairs Committee should be requested to report a bill as soon as possible and that the Senate should resume its sessions whenever the report is available."

Both houses are to reconvene today after their summer recess, but reconversion legislation still is on the committee drafting board and for the time being only routine sessions are likely.

AUGUST 12, 1944

NELSON STAYS FIRM ON RECONVERSION

AUG 12 1944
WPB Ready With Final Order
Giving Local Authority on
Civilian Goods **B.S.**

By **WALTER H. WAGGONER**
Special to The New York Times

WASHINGTON, Aug. 11—Donald M. Nelson, chairman of the War Production Board, was reported today applying final touches to his order empowering local officials to authorize civilian production on Aug. 13, with the firm conviction that he will have to fight for his reconversion program against the recently granted veto powers of the War Manpower Commission.

Expected tomorrow or the next day, the fourth of Mr. Nelson's disputed reconversion orders will list more than a hundred articles believed by the WPB to be essential to the civilian economy, which may be manufactured on and after Aug. 13 if labor, facilities and materials are available.

This order, protested from the start by the armed services and the War Manpower Commission, is expected to collide with a labor-economy directive issued in Aug. 4 by James F. Byrnes, Director of War Mobilization. This ruling provides that the WMC representative on each local production committee be the final arbiter in cases of disagreement over the feasibility of civilian production.

May Seek Appeal Rights

If Mr. Nelson feels the local dispute is of critical importance to the community, it was said, he may ask that manufacturers and WPB field officials be granted the right to appeal to the national WPB headquarters in Washington where individual cases may again be reviewed.

Officials who expect the WPB chairman to press for full utilization of his reconversion program, which has already been delayed beyond its original effective date of July 1, cited his action on Wednesday when he disclosed that he would submit to the joint chiefs of staff data heretofore withheld by the Army, of surplus war materials.

From Capitol Hill, meanwhile, came indications that Mr. Nelson would continue to have a large and influential section of Congress fighting at his side for speedy reconversion.

Mead Starts Inquiry

Senator James Mead, who replaced Senator Harry Truman as chairman of the special committee to investigate the war program, assailed military opposition to the resumption of civilian production and said that he planned to have the committee investigate the subject.

He said the committee would conduct a closed hearing on Aug. 16 to determine the facts about the Army's suppression of a section of the WPB report showing heavy stocks of many items of equipment and supplies. This meeting will examine also the question of whether a shortage of war materials really exists, and, if so, the reasons for it.

A copy of the suppressed WPB data is now before the committee, which will call as witnesses, Mr. Nelson and Major Gen. Lucius D. Clay, Army director of matériel.

The order being drawn up by the WPB today, to go into effect on Tuesday, will list the war time restriction orders which may be relaxed at that time. Almost 100 "L" and "M" regulations are expected to be included in the listing, while the number of actual articles may reach 200.

Officials said the list had been shortened because some of the items were judged to be "unjustifiable and ridiculous." Alphabetically, the list went from alarm clocks to X-ray apparatus, but in between were infants' cribs and chifferobas, lunch boxes, model airplane motors, drapery and curtain rods and sink strainers.

AUGUST 24, 1944

Reconversion Now Washington Star Demanded by Nathan AUG 24 1944

Attacking the War Production Board's policy of reconversion, Robert R. Nathan, former chairman of the Planning Commission of the WPB, today told members of the Junior Board of Commerce if WPB doesn't "loosen up on reconversion orders" the country is faced with postwar unemployment of more than 18,000,000 people.

"The time to start reconversion is now," said Mr. Nathan. "If the war were to end tomorrow the country will be totally unprepared to cope with the situation."

Mr. Nathan placed the blame for the uncertainty of reconversion on "certain military officers and others interested in big business" but said reconversion could start now without harming the war effort.

He said the Government should begin leasing or selling plants under its control as soon as possible so as not to compete with private industry. Towns which rely on war production for their existence should be the first to have their war contracts cancelled, he added, so the workers could migrate to larger cities and find employment.

SEPTEMBER 5, 1944

GREEN AND MURRAY SEP 5 - 1944 DEMAND SPEED-UP ON RECONVERSION

**AFL President in Labor Day
Address at Jacksonville Pre-
dicts Post-War Boom**

JOBS HELD 'PARAMOUNT'

**CIO Chief at Pittsburgh Urges
Guaranteed Wage and End
of 'Little Steel' Basis**

By The Associated Press.

JACKSONVILLE, Fla., Sept. 4 — With labor, management and the Government cooperating, the end of the war will signal the start of the greatest period of prosperity in the nation's history, William Green, president of the American Federation of Labor, predicted today.

He cautioned, however, that labor's "enemies at home" must be overcome and that the nation must be prepared for temporary reverses and unemployment during the transition from wartime to peacetime economy.

"The test period will come between the time war contracts are canceled and industry is able to complete its reconversion to peace production," the AFL chieftain told a Labor Day lunch hour gathering of 20,000 workers at the St. John's River Shipbuilding Company here.

"Obviously," he said, "the national interest demands that this transitional process be completed in the shortest time possible and with least suffering to disemployed war workers and demobilized service men."

"Therefore, the AFL is pressing with all its power in Washington for the approval of plans for starting reconversion now, without waiting for the end of the war."

Cites Record in Production

Reviewing labor's part in the conflict, Mr. Green said:

"The President of the United States, the Commander in Chief of the armed forces, paid high tribute, in his Labor Day message to the astonishing achievements of labor on the production front. The facts merit such praise."

"Since July, 1940, American workmen have produced more than 130 billion dollars' worth of fighting equipment."

"No wonder our enemies are amazed. The vast quantities of military equipment we are throwing into battle have dismayed them as much as the courage of our men in uniform. One captured German captain, seeing the huge supplies of war material being unloaded on the beachheads of France, was reported to have said he had counted in that one afternoon more flying material than his own Nazi troops had received in six months."

"These superior products of the toil and sweat and skill of free American workers have inspired our own boys, just as they have discouraged the enemy."

"The entire world now realizes that together America's fighting army and her production army constitute an unbeatable team. Stalin and Churchill have publicly attested to the fact that American equipment and supplies saved Europe from being crushed by Hitler."

"As this war draws near to its final conclusion, American labor is determined more than ever to see to it that lasting peace will be our reward—a peace that must be fully protected by an international organization of the nations of goodwill who recognize that war is the great enemy of mankind and must be abolished for all time at any cost."

Murray Urges Speed

Special to The New York Times.

PITTSBURGH, Sept. 4 — A planned national economy, with Government, industry, labor and agriculture collaborating, was urged today by Philip Murray,

Continued on Page 14

president of the Congress of Industrial Organizations, as providing "common security and prosperity in the difficult days" of the post-war era.

Mr. Murray, in a Labor Day address via radio, outlined a four-point program combining those features and calling for employment for all returning service men "as well as for the fifty million men and women who are now employed in industry."

He pointed to these requirements for prosperity:

1. Revision of the "Little Steel formula" to "increase purchasing power."
2. Guaranteed annual wage.
3. Cooperation between industry and labor.
4. A Government reconversion program.

Mr. Murray said that "if we are

to have jobs for all after the war" it will be "necessary to increase the purchasing power of the American people. This step is prevented at present by the so-called 'Little Steel formula,' which has frozen wage rates at levels far below that of war-time living costs."

Under a "guaranteed annual wage," working people would "have some assurance of a livelihood throughout the year," he said. "It would also create a steadier demand for the goods and services of farmers, professional people and business men."

Warns Against Strafing Unions

Urging co-operation between management and employees, he declared that "only chaos and disruption of our industrial life will result if employers look to the war's end as an opportunity for a union-breaking, wage-cutting open-shop drive, and if labor unions have to resort to widespread strikes to defend their very existence and living standards of their members."

Mr. Murray called on the Federal Government to work out immediately a program for reconversion in co-operation with labor, agriculture and industry. The nation, he said, can take no chances of "working people and ex-service men

starving, as the result of any failures on the part of industry. Social security legislation must be expanded and the Government must be prepared to take up employment lags" through a program of public works.

Turning to the international scene, he said the war had shown the United States that it can not remain aloof, and he recommended that "intelligent international collaboration" be made an essential part of our affairs to guarantee "future peace and economic well-being."

Reconversion Move Rushed On Advice Of Military

Plans Stepped Up,
With 'October 31'
As 'Outside' Date
For Nazi Collapse

Small Hope for Motorists

WHEN MORE GAS is available it will go first to buses, trucks and "B" card holders. Page 12, *Washington Post*

OPA SEEKS to keep prices of autos and other heavy items at 1942 prices in reconversion. Page 13.

WMC Helps Industry

By Ben W. Gilbert

The Administration aired its reconversion plans and accelerated the pace of its peace-planning after the armed services warned that the collapse of organized resistance in Germany may come soon, responsible officials revealed yesterday.

The situation was highlighted yesterday by an Associated Press dispatch from London which reported that October 31 had been established as the tentative "outside" date for the collapse of German resistance, and was being used as the basis of reconversion planning.

Limited Plans Also Drawn

Acting Chairman J. A. Krug of the War Production Board refused to comment on the London report, but other WPB officials stated that plans were being made with sufficient flexibility so that they could be put into effect on October 1, October 15, October 31 or any other reasonably imminent date.

It was also understood that plans were being drawn for limited reconversion even if German resistance continues throughout the winter.

Meanwhile, Manpower Chief Paul V. McNutt took our reconversion plans one step further by giving a green light to the assignment of planning engineers and technicians by private industry to the blueprinting of their own reconversion plans, and by announcing that small plants will not need WMC approval to go back into civilian production before V-E (Victory in Europe) Day as long as they do not increase their total force of workers.

In determining whether larger plants (above 50 workers on the West Coast and above 100 workers elsewhere) may go back into civilian production, WMC will judge

See CONVERT, Page 12, Column 1

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CONVERT

From Page 1

whether the workers involved could be made available for direct war production, McNutt said.

The armed services which have consistently opposed reconversion planning in public because of fears that war production would be harmed changed their position recently, informed officials stated, because of three main factors:

1. The realization that a German collapse might be imminent, making immediate and rapid reconversion planning a major necessity.
2. Recent discussions of problems of contract termination, cutbacks, and reconversion with manufacturers which resulted, not in a desire to withdraw immediately from war production, but in increased concentration on the war job.
3. The rise in the production of so-called "must" items which has occurred during the last six weeks.

The about face by the services was followed by the announcement by Krug of WPB's plan to remove virtually all controls after V-E Day. McNutt's announcement that labor market controls will be retained after V-E Day only on a limited basis in a few acute shortage areas, and War Mobilization Director James E. Byrnes' release of a comprehensive report on industrial demobilization plans coordinating the work of various agencies.

A report of the Combined Production and Resources Board, a joint Anglo-American agency, called for coordinated reconversion planning by the Allied nations.

The London report stated that October 31 was fixed as the time

when some release of wartime material could be made for peacetime goods. The belief was expressed that the time table was fixed on the assumption that German resistance may come to an end through a process of disintegration, rather than by a sudden collapse.

It was said in London that the "outside" date was established to provide some basis for concrete reconversion planning, rather than the creation of plans for use at some time in the indefinite future.

Krug has scheduled a press conference for today to elaborate further his reconversion plans.

Some discussion is expected of work by special WPB "task" groups which have been reviewing production controls, order by order, to list those which are to be released and those which are to be retained during the transition period.

JULY 27, 1944

GOVERNMENT DELAY ON TERMINATION HIT

JUL 27 1944

Lack of Reconversion Action
Also Deplored by Cherne
in Housewares Club Talk

Contract termination and reconversion problems, looming more important than ever before due to the rapid developments in both the European and Pacific war theatres, are being given scant attention by Government and none of the positive action highly essential "economic orderliness is to be achieved," Leo M. Cherne, executive secretary of the Research Institute of America declared yesterday.

Hostilities may end practically any day, he said in an address yesterday before a meeting of the Housewares Club of New York at the Hotel Pennsylvania, and there exists an immediate need for planning by Government and business, designed to protect against industrial disorder.

At the recent political conventions in Chicago, Mr. Cherne pointed out, the subjects of contract termination and surplus goods were not mentioned by either party. With reference to reconversion he declared that such efforts have been retarded through slow action by the Office of Price Administration on price levels for such products.

To be overcome are the drawbacks of a Presidential campaign, during which "regulation and planning will be underplayed and controversy avoided, while at the same time the rapid deterioration of Germany will demand reconversion programming, quicker, more ruthless administrative agency decision," Mr. Cherne stated.

"German disintegration is not being overemphasized in this country. If anything it is underemphasized. Early victory over Germany and a shorter subsequent stage of the Japanese war have immediate basic effects on all industrial activity. Munitions stockpiles need not be great. Depletion of reserves available against European needs is far smaller than ever contemplated. Cutbacks after V-Day will be greater than heretofore talked of. "It will be difficult to stretch out continuing war production even if plans for reconversion are so far behind as to threaten enormous difficulty.

"A pivotal resistance to early reconversion will continue to be big business. Their break-even point demands much higher civilian production than early and partial reconversion would permit. Their

expected disinclination against new competitive elements and against the first 'go-ahead' to small-business both militate against quick and aggressive action. They were the first in war production and likely will be the last out.

"The most trying difficulty of all will be the acute inconsistent pressure of half-war, half-peace. Certain critical manpower needs will become more acute, such as the present one in forgings, as the over-all manpower market becomes more flexible. The War Manpower Commission will continue to be a brake on reconversion."

Continued on Page 25

CONVERSION NEEDS TO SPUR CONGRESS

By Thomas C. 3

End of Recess Tomorrow Will
Find Peace Blueprints Made

Urgent by War Gains

JUL 31 1944

COMMITTEE ACTION LAGS

But Leaders of Both Parties
Move to Speed Framing of
Bills for the Floor

WASHINGTON, July 30—Congress, which went home a few weeks ago convinced that it had the situation well in hand and would not need to consider serious matters until after Labor Day at least and perhaps not until after the election, has been outflanked by the amazing progress of the Allied armies and returns to Washington Tuesday to tackle the momentous job of drafting a domestic blueprint for peace.

The good news from the fronts and the evidence of serious dissonance within Germany have crystallized in the minds of leaders of both parties the need for immediate work on plans by which transition from war to peace production can be accomplished without unemployment.

Paradoxically, the members of Congress who may sacrifice some campaign activities because their leaders see important signs of victory in Europe will return to find that Army and Navy leaders continue to oppose the War Production Board in its decision to permit immediate extension of civilian production.

Status of Reconversion

Three immediate reconversion orders have been put in operation by the WPB, and a fourth, empowering WPB regional offices to authorize resumption of civilian goods manufacture where materials, facilities and manpower are available, is scheduled for issuance with Aug. 12 as the effective date.

Confronting Congress is the problem of providing jobs for the 10,000,000 who will be demobilized from the armed services and for the 20,000,000 in war industry who must be shifted to peace work. Also to be arranged is the disposal of \$75,000,000,000 worth of government plants, equipment and supplies. Congress has already adopted legislation governing the termination of war contracts.

The importance of immediate consideration for needed reconversion legislation has been stressed by Speaker Rayburn, who planned to leave his Texas home today; by Senator Arthur H. Vandenberg, Republican, of Michigan, who summoned Republicans to a meeting of the party's Senate Steering Committee Tuesday; and by James F. Byrnes, Director of War Mobilization, who declared Wednesday that the German internal crisis makes early action on demobilization urgent.

Before recess the Senate's Military Affairs Committee had begun drafting a reconversion bill on the basis of two bills which had been introduced—one by Senator Walter F. George, Democrat, of Georgia, and Senator James E. Murray, Democrat, of Montana, and the other by Senator Harley M. Kilgore, Democrat, of Virginia.

NEW YORK TIMES

JULY 31, 1944

Clashes in Committee

Difference of opinion over the amount of authority Congress should grant to an over-all demobilization agency, the amount of unemployment compensation which should be paid, and other points has slowed action by the committee. Its chairman, Senator Robert R. Reynolds of North Carolina, says he doubts whether a majority of the committee will be on hand Tuesday to resume work on a bill.

The George-Murray bill would establish an office of demobilization to coordinate reconversion activities and fix a program and policy for the disposition of Government surpluses.

Senator Kilgore's measure would create an Office of War Mobilization and Adjustment to direct the activities of all Federal agencies having to do with the production and disposition of military and civilian goods and the placement of service men and civilian workers.

Senator Kilgore and Representative Emanuel Celler, Democrat, of New York, co-sponsor of the measure, urged its passage in a joint statement tonight. They said:

"When the war ends, jobs will disappear for 20,000,000 workers now engaged in war production. In these within a few months will be added 10,000,000 service men who will return to civilian life. The United States Government will hold \$15,000,000,000 worth of war plants and equipment and \$20,000,000,000 worth of supplies. Factories will be checked with half-finished products on which cease-work orders have been issued.

New Solutions Called Need

"These conditions will pose problems of unprecedented magnitude for which traditional solutions are inadequate.

"To convert to full production and employment in peace, we must find 15,000,000 more jobs than were available in 1939. We must produce at least 60 to 70 per cent more than we produced in 1939. If we plan only for pre-war levels of production, we shall fail. If we do not plan for full employment, any other plans we make will be swept away in the tide of unemployment and depression.

"These problems, to a limited but increasing extent, are already pressing for solution. The armed services are now discharging 70,000 men each month. Our war production program is constantly being revised.

"Refusal to recognize the effects of changing demands for war material may seriously affect war production itself. If cutbacks are not planned, exhortations and compromises will not do little use. Only

43.

adequate planning for continuous full production and employment will prevent a scramble by both management and labor to protect themselves against unpredictable cutbacks.

"Those who in 1941 and 1942 could not recognize our potential for war must not now be allowed to pay us our potential for peace. Our reconversion plans, however, must continue to be subordinated to the needs of war. Production strategy must be flexible enough to shift readily with military strategy.

"The only solution for avoiding conflict between working for victory and preparing for peace is orderly planning both for full war production and for expanding civilian production.

"The plans of Federal and State agencies, of individual persons and companies, will and depend upon comprehensive Congressional action. Congress has passed the GI Bill of Rights and the Contract Settlement Act, dealing with specific aspects of reconversion.

"Many members recognized the need for comprehensive legislation

and urged that it be passed before the recent recess. It was pointed out that a piecemeal approach could not keep pace with the march of events.

One Fighting Developments

"The successful assaults by British and American forces from the west and south, and the shattering blows by the Russian forces from the east, have brought the war in Europe to the summer of 1944 much nearer to its end. Already Germany is being torn with internal dissension.

"We are making of our fighting forces a full measure of sacrifice until our troops march victoriously through the streets of Berlin and Tokyo. But the collapse of Germany today would find us totally unprepared for the problems facing us. We cannot evade our legislative responsibility to find answers to the immediate problems of war mobilization and post-war adjustment.

"The Congress must enact comprehensive reconversion legislation now—or gamble with economic disorganization."

AUGUST 6, 1944

Motor Leaders Expect Early Call On Reconversion

Believe Washington
Is Revising Ideas
Due to Recent Gains

Growing expectations that a German collapse may come sooner than anticipated as recently as three weeks ago in high administration circles have raised the probability that leaders of the automobile industry soon may be recalled to Washington to work out an agreeable reconversion plan, it was indicated today by informed trade spokesmen.

Spectacular developments pointing to an early Nazi defeat have come thick and fast since the rejection, on July 15, by industry leaders of a War Production Board plan for reconversion. At that time, neither military progress in western Europe nor the political situation inside Germany and diplomatic events in the Balkans were thought to warrant too much reliance on a Nazi defeat before late fall.

Since then the war picture has changed drastically bringing renewed concern over a host of reconversion problems including the pace at which the automobile industry may be able to turn out passenger cars.

Rationing in Early Stages.

Lloyds of London insurance rates are interpreted as indicating the underwriters expect the fighting in Europe will end before Oct. 31. In this event, automobile executives say, the industry could begin producing revamped 1942 models by the first quarter of 1945. After first quarter production is completed, it is the industry's hope that quotas and price controls may be abandoned.

Disputes over the need for and length of such controls are said to have been one of several major stumbling blocks in the unfruitful July 15 conference.

But the industry does expect that the needs of the country will be heavy enough to require rationing of new cars for a period of as yet unforeseeable length.

Die Castings and Tires.

The industry's greatest concerns over materials for resuming manufacture of civilian vehicles, it is understood, are zinc die castings and tires. The latter concern arises from realization that some manufacturers are agreed that satisfactory heavy duty tires cannot be made from synthetic rubber for some time in anything like sufficient quantity.

It was also learned that best industry estimates on prices of postwar cars now are that they will have to be all the way from 25 to 40 per cent higher than prewar in order to absorb higher manufacturing costs. In view of these calculations, most of the industry is said to discount recent rumors of a car to retail as low as \$500.

AUGUST 14, 1944

THE WASHINGTON DAILY NEWS, MONDAY, AUGUST 14, 1944

Allied Victory Before Election Can Create Reconversion Issue

By CHARLES T. LUCEY Scripps-Howard Staff Writer

Recent Allied gains have given rise to new fears that the Government's industrial reconversion program will not be ready when the Nazi collapse comes, and this is one of the first matters to be pressed on President Roosevelt on his return from the Pacific.

The question has sharp political implications, some of Mr. Roosevelt's advisers believe. They point out that if the success of the Allied armies continues at anything like the present pace, the end of the war in Europe conceivably could come before the November election.

If this should happen, and if sharp war production cutbacks followed quickly, as is likely, delay in or inadequacy of the Government's program for getting war plants smoothly into peacetime production might mean thousands of workers at least temporarily without jobs.

IMPROVE GOP CHANCES

Most Republicans believe their chances would be greatly improved in November if the European war is ended. But if additionally the handling of reconversion should be botched—so the thinking among some officials goes—it would hardly help Mr. Roosevelt.

All this goes back to the disagreements between some War Production Board officials and heads of the armed forces, WPB favoring taking the first steps toward peacetime production where there will be no interference with the war program, and military chiefs being largely opposed.

The WPB tomorrow will issue an order establishing procedure by which manufacturers who have manpower and facilities not needed for the war effort, and where material is available, would get permission thru WPB field offices to make limited quantities of articles not now allowed. But since this order was announced, new controls have been placed on the labor market which give the War Manpower Commission a veto over such moves toward civilian production.

SHOWDOWN IN FEW WEEKS

Whether there is an irreconcilable conflict between WPB and WMC on this probably will be tested in the next few weeks. WPB officials are hopeful that WMC field representatives will not take a "crackdown" stance.

Sen. Truman, who was head of the Senate Defense Investigating Committee and who is to be Mr. Roosevelt's running mate in November, is expected to be among those urging upon the President the need for more decisive steps toward peacetime production.

The George bill, passed by the Senate Friday, is now before the House, and consideration of reconversion problems will begin before the Ways and Means Committee. An attempt probably will be made to enact some kind of reconversion measure into law as speedily as possible, but so complex is the subject that prophecy today on how long this may take would be difficult.

CLASH OVERSHADOWED BILL

Debate on the actual mechanics of reconversion was overshadowed in the Senate by the clash on the unemployment compensation features of the measure, with proponents of the much more costly Murray-Kilgore bill taking a licking. The George bill leaves unemployment compensation administration with the states.

More than anything that has occurred here so far, the debate opened the question of whether the U. S. Government can continue to plug more deficit financing on a national debt that already will have reached some 300 billion dollars. Sen. Tydings (D., Md.) warned that such a course held the certain danger of printing press inflation.

AUGUST 23, 1944

AFL URGES SPEED ON RECONVERSION

Council, at Chicago Meeting,

Stresses Building Program

to Employ 5,000,000

AUG 23 1944 C.L.

Special to The New York Times

CHICAGO, Aug. 22.—Immediate acceleration of the reconversion program wherever it can be accomplished without interfering with the even flow of vital war production was asked today by the executive council of the American Federation of Labor, which is holding its midsummer meeting here.

"America should take heed of the statements of responsible war leaders that the war against Germany may end sooner than expected," said the council. "If the fighting in Europe ends suddenly the impact upon our domestic economy will be shattering unless preparations are made in advance to cushion the shock."

"The War Production Board estimates war production may be slashed 40 per cent overnight when Germany surrenders. This means huge contracts will be canceled, thousands of factories will be forced to shut down and as many as 10,000,000 workers will be thrown out of jobs."

"Such needless tragedies must be averted if we are to win the peace. The advent of peace should be a great boon to the American people, not the start of a fearful depression," the council continued.

It suggested a large-scale housing plan to be formulated to provide 5,000,000 jobs for construction workers "immediately as the war ends."

The council, however, discerned "a serious obstacle" in the lack of building materials such as lumber, wiring and plumbing supplies, which are in heavy demand for war purposes.

"The executive council, therefore, feels that production of these materials should immediately be greatly intensified. The surplus, not needed for the war program, should be stored up in stockpiles by the Government in all sections of the country so the housing program can commence the moment the war against the Nazis ends."

William Green, president of the federation, announced that the AFL will begin immediate drives in Florida, California and Arkansas to prevent the adoption of legislation contemplated to outlaw the closed shop in those States.

Joseph A. Padway, counsel for the federation, reported to the council on the legal battles which the AFL is waging against State laws "objectionable to labor." He expressed the opinion that "every one of the anti-labor laws will be defeated if it reaches the Supreme Court."

MARCH 26, 1944

GM RECONVERSION

PUT AT \$500,000,000

MAR 26 1944

Sloan Discusses Problems of
Turning Plants Back to
Peacetime Production

N. Y. Times

SPEED TERMED ESSENTIAL

Minimum of Unemployment to
Be Objective—Big Change
in Inventories Forecast

The General Motors Corporation is prepared to make an aggregate expenditure of \$500,000,000 in the post-war period to reconvert, modernize, and retool for the resumption of automobile production, Alfred P. Sloan Jr., chairman, said in a statement issued yesterday in advance of the forthcoming annual report.

"This is, in part, a measure of its faith and confidence in the future, based on the full acceptance by both Government and business management as a whole of their respective responsibilities," he said.

"General Motors has on hand about \$500,000,000 of wartime inventories, mostly work in process and raw materials. Practically none of the work in process and only a limited part of the raw materials will have any value in the corporation's peacetime manufacture. Almost all of this inventory must be removed from the plants before new stocks of material for peacetime production can be accumulated."

Speed in Reconversion Vital

It is extremely important that the time of reconversion of the automotive industry to peacetime production be held to a minimum, because delays in converting plants to civilian production will cause unnecessary unemployment and importantly retard the restoration of a peacetime economy, he said.

While "the first and vital job continues to be the winning of the war," he declared, "management also has the responsibility of planning for reconversion and the post-war period to meet the urgent need for providing jobs for returning veterans and also for the hundreds of thousands who will eventually be released from war work."

"If, for example, the war in Europe should end before the war in the Pacific, it undoubtedly would be necessary to proceed with reconversion on a basis of dual operations. Sharp curtailment of war production following the cessation of European hostilities would permit and require that manufacturing facilities no longer needed for war purposes be reconverted promptly. Otherwise unemployment would increase rapidly."

Difficult Problems Foreseen

"To operate on a part war and part peace basis in automobile plants would, of course, involve the added expense and time of a double reconversion. In peacetime there is a high degree of plant specialization and integration of facilities. The technique of mass production is employed most intensively. To make completed automobiles there are necessary not only plants and facilities for assembling cars, but also facilities for the production of engines, bodies, axles, transmissions, electrical parts and other components, each essential to a completed whole."

Mr. Sloan said it would be most constructive if the Government could establish policies and outline procedures for the disposal of Federal plants operated by General Motors at the earliest possible date, as it then would be possible to determine to what extent, if any, these plants can be integrated into the corporation's post-war expansion plans. Government-owned machine tools numbering 61,000 present yet another problem, particularly where they are intermingled with 89,000 owned by the company, he said.

Some 3,100 peacetime tools that were sold to other producers during the war were key machines that must be replaced or recovered before production of peacetime goods can be started, Mr. Sloan said, and new types of tools will be needed as well.

APRIL 28, 1944

35% Reconversion Seen**When Nazis Are Beaten****Wilson's Forecast on Civilian****Goods Most Optimistic Yet****H. F. Gerald's Column**

WASHINGTON, April 27.—

Charles E. Wilson, executive vice-chairman of the War Production Board, predicted today that when Germany is defeated, 35 per cent of the nation's productive capacity now tied up with war work will be available for peace-time production.

The statement, the most optimistic yet on civilian production by a high government official, was made to members of W. P. B.'s automobile labor advisory committee after W. P. B. Chairman Donald M. Nelson had told the same group that he saw "no chance" of making passenger automobiles this year. Mr. Nelson emphasized that while plans for eventual readjustment to peace production must be made now, "we're not going to do one single thing that would interfere with the war effort."

Mr. Wilson indicated there may be an increase in civilian goods output after the invasion by stating that the nation needed a plan for "carrying out essential civilian production coincidentally with war work" by using man power and facilities freed after a successful invasion. After that, he said, there would be need for a post-war plan for full production and full employment. "But this is still a long way off," he added.

R. J. Thomas, president of the United Automobile, Aircraft and Agricultural Workers of America, of the Congress of Industrial Organizations, and Lester Washburn, president of the International Union of United Automobile Workers of America, of the American Federation of Labor, agreed that a thirty-hour work week might be needed after the war to prevent unemployment.

NEW YORK TIMES

JULY 14, 1944

WILSON BACKS PLAN FOR RECONVERSION

Says He Helped Write Disputed WPB Orders and Timing Was Only Issue Involved

JULY 14, 1944

Special to The New York Times

WASHINGTON, July 13—Objections of the War Manpower Commission to the issuance of reconversion orders of Donald M. Nelson, War Production Board chairman, on the same date that the WMC was setting up its controlled hiring program, was responsible for the failure of the production board to issue the orders July 1, Charles E. Wilson, executive vice chairman of the board, said today.

Breaking a silence which he has maintained for more than a week while a controversy went on over whether or not nine of the war agency's twelve vice chairmen had split with their chief on the reconversion policies he outlined in his orders, Mr. Wilson insisted they had not. He added that whatever difference of opinion had existed revolved around the "timing" of the orders rather than the objectives sought.

Mr. Wilson's statements were made after returning from the White House where he had asked President Roosevelt to permit him to return to his post as president of the General Electric Company. Some months ago he submitted his resignation but agreed to remain until mid-July.

"The President said that the job of war production is still a pressing one and that I had to stay on the job," Mr. Wilson said.

Effect on WMC Program

Discussing the objections of WMC to the reconversion planning, Mr. Wilson said that the agencies spokesmen appeared before WPB executives in June and said they feared the psychological effect which would be created among workers and industrialists alike if orders dealing with peacetime production were issued on the same date that WMC was putting its country-wide job control program into force.

Mr. Wilson added that he agreed with the WMC point of view but took the attitude that Mr. Nelson had made a decision, and it was up to WPB to carry it out.

The orders were not made effective at the proposed time, because of instructions to hold them up until the WMC program took hold.

The orders, four in all, set forth concessions to producers in preparing for peacetime production. The armed services assert that they would interfere with current war production. Mr. Nelson has maintained they would help rather than hinder war output and his stand has been backed by the Senate's Truman committee.

"Those four orders are good ones," Mr. Wilson said. "I should know, because I helped to write them. If the question of timing had not arisen they would have been issued on July 1. You may be sure that they will issue on the dates which have been set for them now. That is a firm statement."

Minimizes Conflict in WPB

Mr. Wilson came to the defense of WPB members who were charged with opposing the orders on the ground that small business would get a head start over big business and asserted that differences were confined to the effective dates and did not involve any conflict of basic business views.

The question of WPB's reconversion policy, he returned, was settled March 7, when Mr. Nelson wrote to Senator Francis Maloney of Connecticut, outlining a program for reconversion, which the subsequent orders were intended to put into effect. The entire WPB staff, Mr. Wilson said, was in agreement with the program outlined in the letter.

Discussing the war production program which he conceded had lagged in spots, Mr. Nelson said that there was cause for worry over steel, which he said was in short supply for pressing military and civilian needs. Other trouble spots are heavy tire production, artillery, shells and tanks. In the last three, he added, the sharply expanded demands of the armed services have put terrific pressure upon the war agency to meet requirements.

JULY 28, 1944

Reconversion Plan Needed

Prompt Passage of Kilgore Bill Urged
to Avert Unemployment

TO THE EDITOR OF THE NEW YORK TIMES:

We are told that on X-day—when Germany surrenders—it will be possible to reduce the production of war equipment by 40 per cent. Excellent! Who wants to produce any more guns or submarines than we need? Besides, we all want autos and houses and refrigerators. So there ought to be no trouble about shifting our magnificent production facilities back to consumer goods.

JUL 28 1944

The trouble is that no adequate over-all planning is being done to insure orderly reconversion which will lead into a post-war period of full employment. The prevailing idea seems to be to take off all Government controls as quickly as possible and let individual enterprise take care of reconversion.

Careful Planning Needed

But it isn't that easy. Without some forethought and careful scheduling, there will be idle labor in one locality but no materials available for it to work on. Or there will be excess material but no facilities for processing it. There is need for a Government agency to organize the reconversion process with a view to minimizing the delays and shifts. Contract terminations and cutbacks in war employment need to be integrated with the resumption of non-military production. And the disposal of surplus war property in the hands of the Government should be handled by the same machinery.

Unless such steps are taken quickly, the 40 per cent reduction in war production which will occur on X-day will mean a 40 per cent reduction in war employment. That would mean, if Germany is defeated this fall, that some four million persons would be out of work by the end of this year. Think what that would mean to the servicemen who will be returning, we hope in great numbers, when victory is won!

Failure to plan for reconversion is having its effects on the workers at home too. They are getting restive. This is one reason for the outlaw strikes which we read about. A more important effect—for time lost due to strikes is still very insignificant—is that many workers as individuals are leaving their war jobs in order to take jobs which they hope will offer a greater measure of security.

My alarm, then, is twofold. First, that our continuing war production program will be jeopardized—the war will not be over on X-day; and secondly, that we shall have mounting unemployment with no measures to alleviate it.

Kilgore Bill Favored

To meet this situation we urge the adoption of the Kilgore bill, now before the Senate Subcommittee on War Contracts.

The bill provides for a central agency to handle cut-backs and reconversion. It provides for Federal emergency unemployment compensation benefits for war workers and returned servicemen; sets up machinery for training and retraining and for the payment of transportation costs of workers moving to new jobs.

The coming election is as important as any we have ever had, but it should not be allowed to serve as an excuse by our elected representatives for building their own personal fences at a time when the nation has a tremendously important fence-building job to be done. They should return to Washington at once, and they should stay in session until comprehensive reconversion legislation has been adopted.

RICHARD T. FRANKENSTEIN,
Vice President, UAW-CIO,
Washington, July 26, 1944.

AUGUST 16, 1944

NAZIS' FALL TO MEAN PEACE OUTPUT RISE OF 30%, SAYS NELSON

Industry Will Be Able to Go
to 1939 Level, Highest to
That Time, He Predicts

SMALL GAIN NOW IS SEEN

WPB Chief and McNutt Issue
Joint Statement Agreeing
That War Comes First

By WALTER H. WAGGONER
Special to THE NEW YORK TIMES

WASHINGTON, Aug. 15—The fall of Germany will enable American industry to increase non-war production 30 per cent and bring the output of civilian goods up to the level reached in 1939, the highest to that time, Donald M. Nelson, chairman of the War Production Board, predicted today.

Already set for the shift to peacetime production as the demand for war equipment slackens, plants will have their first major cutback, probably about 40 per cent, in war work when Germany is defeated and the war in Europe ends, Mr. Nelson said at a press conference. Even with munitions orders reduced to 60 per cent of their present volume, he added, this country would be adequately armed to carry on the war against Japan.

The occasion for the WPB chairman's meeting with the press, his first since he recovered from pneumonia, was the taking effect today of his fourth and final reconversion order which permits local officials to authorize civilian production of seventy-nine groups of items when labor, materials and facilities are no longer engaged in war work.

Sees Little Effect at Once

Mr. Nelson, under questioning, said he thought there would be only a small increase in civilian production under this "spot authorization" order. The purpose of the order was to provide a mechanism which would help industries swing from war to civilian production when materials and manpower became available.

Apparently eager to dispel any notion that there was still a conflict between manpower officials and his agency as to the policy on industrial change-over, Mr. Nelson issued a joint statement with Paul V. McNutt, chairman of the War Manpower Commission, which was intended to make for "a clear understanding of the position of the WPB and the WMC with respect to the reconversion of civilian production."

The statement said that "we are agreed" on the following points:

"1. That war production has the first claim on the nation's manpower and that there must be no diversion of manpower needed for war production and essential civilian production to less essential civilian production.

"2. That there should be the maximum resumption of civilian production consistent with war production needs.

"3. That therefore, wherever labor and materials are available which are not needed in, or cannot be made available for war production, they should be employed in civilian production.

"4. That planning for reconversion of the soundest and most thorough character should go forward with the utmost diligence and intelligence so that, as employment in war production ends, jobs in civilian production can be readily found.

"5. That there is and must be at all levels, the closest cooperation between the representatives of the WPB and the WMC to accomplish these common objectives."

The WPB chairman said that he looked for a certain amount of unemployment in the "gap" between war and civilian production, but he stressed that this could be kept to a minimum with adequate reconstruction machinery.

"The extent of unemployment,"

he asserted, "depends, of course, on both the suddenness of the cutbacks and the preparation by WPB, Congress and other agencies. Upon the kind of job industry itself does, and all the war agencies, depends the speed of getting back to civilian production."

He added that some industries—agricultural implements and textiles, for example—would be able to swing into peacetime production without any delays. The biggest lag in reconversion would be in the automobile and construction industries and among the makers of consumer durable goods, which had been badly "scrambled" and would require some effort and time to return to normal, according to Mr. Nelson.

When the Japanese had been vanquished, he said, it would not be necessary to maintain controls over more than a very few materials. None, in fact, would be needed except for tin, crude rubber and "possibly" lumber, he said.

NOVEMBER 14, 1944

STREAMLINE PLAN READY FOR V-E DAY

NOV 14 1944

WPB to Announce Simplified
Program Soon, Batcheller
Tells AMA Delegates

FAST RECONVERSION URGED

Boulware Says 'Familiar' Items
Must Lead to Reach Peak
Civilian Goods Output

Streamlined regulations which can be put into effect with the defeat of Germany will be announced "very shortly" by the War Production Board so that "all industry will have in advance the rules of the game as well as they can be predicted at this time," H. G. Batcheller, chief of operations of the WPB, made known yesterday at the opening of the production conference on lower unit costs of the American Management Association at the Hotel New Yorker.

"The fullest possible relaxation of present limitation and conservation orders is contemplated," Mr. Batcheller said in his address, read in his absence by Andrew Stevenson, his assistant. "It now is proposed to revoke a substantial number of all our present orders. Generally, only in the fields of lumber, textiles and chemicals does it now appear there will be any large need for continuing controls."

While emphasizing that the continuing war production program must be assured, Mr. Batcheller asserted that the prime responsibility for speedy resumption of civilian output must be that of private industry freed from the restrictive controls. The responsibility of government, he added, "must be that of rendering whatever assistance may be required to permit individual initiative, ingenuity and incentive to accomplish this goal with the least shock to the economy."

Quick Readjustment Needed

Mr. Batcheller indicated that the problems of the transitional period will not be primarily those of material distribution, as reduction in the present military procurement program will more than suffice to meet the civilian demands of any pre-war year. The problems, he stated, will center on quickly attaining full employment, facility utilization and economic adjustment.

"Planning for shortening of this period of adjustment following cutbacks has been and continues to be of prime concern to the WPB," Mr. Batcheller said. He presented several charts dealing with shortening the time factor in reconversion, as suggested for the automobile industry.

Lemuel Boulware, former vice chairman in charge of operations of the WPB, who presided at the meeting, stressed the vital necessities of attractive prices and speed in starting reconversion. He asserted that new products which have been developed during the war period offer little hope of immediate production volume. They have great possibilities, he said, "but they will not spring into full production overnight and provide the necessary high employment in the immediate post-war period."

"Plants must set their sights higher for quick production of the familiar items—with some facelifting, of course, although the creation of new products should be pushed at the same time."

Wants Three-Shift Operations

"Immediate production should center on staples, instead of specialties, and particular emphasis should be placed on items which will yield three-shift operation. Moreover, there should be a housecleaning of items representing hidden costs and high-selling expenses. A buyer's market will return with the end of the war and industry must prepare itself to walk humbly with many customers instead of the single one it had during the war period."

Solution of the problem of disposal and operation of Govern-

Continued on Page 34, Column 2

ment-owned war plants will, in the final analysis, have to be found on the local level, by State and community business men getting together to study the possibilities of plants in their areas. Mason Britton, assistant administrator, Surplus Property Administration, Office of War Mobilization, told the conference. He noted that the Alabama Chamber of Commerce already has employed one of the best industrial engineers in the South to make a survey of the surplus plants in that State. Mr. Britton estimated that of the \$15,000,000,000 worth of plants owned by the Government, some \$8,000,000,000 are readily convertible, but the future of the remainder, particularly "cornfield plants," far from consuming centers, is problematical.

Mr. Britton charged that the Surplus Property Disposal Act, as it now stands, "contains so many hampering provisions that it is likely to slow up disposal of the vast supplies the Government will have on hand at the end of the war."

Speaking at the dinner meeting last night, Frank Rising, general manager of the Automotive and Aviation Parts Manufacturers, Inc., predicted that the "post-war and even the post-VE period probably will bring more disturbances on the labor front in terms of strikes and lost man-hours than we have seen in any period since 1919." He asserted there are two great "gulfs" between management and labor. The first is on the question of "individual productivity," with labor spokesmen urging standardization of production at the average level which the group can attain the second, Mr. Rising suggested, "lies in the area of responsibility and discipline" on the part of labor leaders.

NOVEMBER 16, 1944

Demands for Reconversion Are Definitely Delaying End of War, Batcheller Warns

PITTSBURGH, Nov. 15 (AP).—

H. G. Batcheller, operations vice chairman of the War Production Board, declared in an address today that "demands for reconversion are definitely delaying the end of the war."

Batcheller, who is also president of the Allegheny Ludlum Steel Corporation, spoke extemporaneously before a meeting of the Industrial Hygiene Foundation at Mellon Institute. His theme was "Victory First, then Reconversion."

Puts War Needs First

The speaker said reconversion is definitely a problem that must be faced and planned for, but that there are no really essential civilian items in demand that should be given priority over war production. He added:

"We have never lost a war by having too much."

Batcheller listed several war production items which he described as behind.

He selected cotton duck for his

first example, claiming production has dropped from 800,000,000 yards per month in 1942 to 30,000,000 in 1944. The need is 100,000,000 yards per month and because of the deficit, he said, "a specific number—and it is large—of our soldiers will be without shelter this year."

People, he said, are prone to think of such an "uninteresting" item as not vital to the war effort.

Deficits Cited

He cited deficits in the supply of dry cell batteries, which affects walkie-talkies, firing of the bazookas, and vital communications.

Heavy-heavy trucks, Batcheller said, are being produced at 6,000 per month and the need is 8,000 per month. These trucks, he said, are worked twenty-four hours a day, seven days a week, to carry supplies from the beachheads to the fronts. And they average a speed of 40 miles per hour, he went on, over very bad roads.

"Of course, there will be an excess when the war is over," Batcheller said, "but who can possibly estimate the needs of an Army of

over 10,000,000 men and a very large Navy."

Batcheller said he would rather have the returning veterans be jobless for three months after the war than "have them lay dead in a slit trench on the other side for lack of sufficient guns, ammunition, medical supplies, etc."

War Program Lags

He declared that industry, both management and labor, must be made to realize the war program is lagging and that the demands are not "fanciful figures" but actual figures received from the battlefronts.

In another address to the foundation meeting, Andrew Fletcher, vice president of St. Joseph Lead Co., referred to the opportunity for progress in the postwar world. He said:

"With the united determination of capital, labor, Government and the people in general, there need be no limit to the progress and

(Continued on Second Page)

Batcheller Warns On War Shortages

(Continued from First Page)

prosperity that we can realize after the war."

Others who spoke included:

Dr. Harley L. Krieger, medical director of Ford Motor Co.; L. Jenkins, personnel manager of the Harrison Radiator Division, General Motors Corporation; Dr. Benjamin F. Streets, medical department, Westinghouse Electric & Manufacturing Co. They discussed problems of rehabilitating and preparing for work disabled war veterans.

NOT TO BE RE-TRANSMITTEDCOPY NO. 4SECRETOPTEL No. 415

Information received up to 10 a.m., 24th December, 1944.

1. NAVAL

Yesterday shipping in the mouth of the Scheldt attacked by midget submarines. Two were sunk and third blew up. One medium sized Panamanian ship torpedoed and total loss.

2. MILITARY

WESTERN FRONT. Third U.S. Army attacking northwards has been halted within 6 miles Bastogne where a number of U.S. troops are surrounded. German pressure has been held by First U.S. Army on northern flank and northeastern shoulder of the break through.

GREECE. Our forces have successfully continued clearing operations on the roads from Athens to Phaleron and Piraeus against slackening resistance. U.K. troops have reached area N.W. of Acropolis. Our forces attacking round northern shore of Piraeus are making progress against stiff opposition.

BURMA. Our troops have occupied a village in Arakan on east bank of Mayu River, have advanced 10 miles in the Kaladan Valley and entered Tigyaing in northern area on Irrawaddy, all without opposition. They also ambushed large party Japanese East Kalewa near Pyingaing, killing over 50.

3. AIR

WESTERN FRONT. 22nd/23rd. Koblenz railway centre - 917 tons; Bingen - 315.

23rd. Escorted heavy bombers of Bomber Command dropped 694 tons Treves and 107 Cologne Railway Centre; both attacks very concentrated. 6 bombers, 1 Mosquito, 1 fighter missing. 397 U.S. heavy bombers escorted by 616 fighters bombed railway centres Ehrang - 349 tons and Kaiserlautern - 167; also 4 communication centres between Bonn and Saarbrücken - 494. Results fair to good. German casualties 75, 5, 23. Ours - 3 bombers, 15 fighters missing, but 7 fighters believed safe. 72 R.A.F. medium bombers attacked troop and supply concentrations near Malmedy with good results. 548 R.A.F. fighters and fighter bombers operated over the northern and central sectors effectively attacking transport and barracks. No reports yet from U.S. aircraft over battle area, but further 98 German aircraft claimed destroyed. 290 Dakotas dropped supplies in Bastogne and Malmedy areas. Two Spitfires of six despatched attacked a rocket site in Holland.

23rd/24th. 157 aircraft despatched: Mosquitoes to Limburg - 52, and Sieburg, 7 miles N.E. Bonn - 40; bomber support - 58; other missions - 7 Mosquitoes.

MEDITERRANEAN. 1159 tactical bombers and fighters attacked communications Po Valley and targets Italian battle area.

4. HOME SECURITY

To 7 a.m. 24th. Between 7 and 8 a.m. yesterday 10 flying bombs plotted. Two rockets reported in the evening. Early this morning about 40 flying bombs plotted.

SECRETOPTEL No. 416

Information received up to 10 a.m., 25th December, 1944.

1. NAVAL

Initial sweeping Scheldt and approaches now complete. 280 mines were destroyed. Yesterday off River mouth two human torpedoes sunk by small craft and a third reported by aircraft as abandoned. Several groups of E-boats, possibly mine laying, engaged last night by our coastal forces near convoy channel to Antwerp. One of H.M. Canadian Fleet Minesweepers torpedoed and sunk yesterday off Halifax. 64 survivors rescued. The U-boat was shortly afterwards attacked. 11,500 ton merchant vessel torpedoed or mined and sunk off Cherbourg yesterday while in tow.

2. MILITARY

WESTERN FRONT. Troops of Third U.S. Army reported within 2½ miles of Bastogne where U.S. garrison being attacked from west. Further north Germans have by-passed Marche and are being engaged between that town and Dinant. Enemy pressure heavy elsewhere on 1st U.S. Army front.

ITALY. Snow limiting scope Allied operations and only advances reported are two small gains by Canadians.

GREECE. Very little activity reported from Athens, though at Piraeus fighting has been bitter but after repulse of ELAS counter attack our forces improved their positions and captured Kononos Station. More gains also made along Athens-Piraeus Road.

BURMA. In Arakan our forces have occupied Donhiak.

EASTERN FRONT. Russians have captured Levice, 60 miles N.W. Budapest. They have broken through German defences of Budapest and cut main westward line of retreat at Bicske, 20 miles west of city. They have also captured Szekesfeharvar.

3. AIR

WESTERN FRONT. 23rd. Further reports: 508 escorted medium bombers dropped 755 tons on communication centres between Duren and Treves: results good to excellent. 781 fighters and fighter bombers provided escort and operated over area of German counter offensive near Malmady. 37 bombers, 22 fighters missing, but some believed safe in Allied territory.

24th. 288 escorted Bomber Command aircraft (6 missing) bombed airfields Essen - 404 tons, and Dusseldorf - 791 in clear weather. 1884 U.S. heavy bombers escorted by 818 fighters dropped 2648 tons in clear weather on 11 airfields mainly Frankfurt area; 2,059 on 14 communication centres between Duren and Treves and on railway centres at Pforzheim, Kaiserslautern and Koblenz. Results good. 36 bombers, 12 fighters missing or outstanding. German casualties 91,6,11. 529 tactical bombers (2 missing) dropped 748 tons with good to excellent results on railway bridges and communication centres Duren/Treves area, 2,282 fighters and fighter bombers operated over the battle areas. Over 500 motor transport and 50 armoured vehicles destroyed. 50 aircraft missing. German casualties 38,4,19. 245 aircraft dropped supplies to troops out off. 45 Spitfires (1 missing) attacked rocket sites Hague area with good results.

24th/25th. 299 aircraft despatched: Cologne railway centre - 102 (6 missing), Bonn airfield - 104 (1 missing), Bomber support, etc., - 93.

MEDITERRANEAN. 23rd. 426 fighters and fighter bombers (3 missing) attacked airfield Milan and communications behind battle areas. 14 enemy aircraft destroyed on the ground and 3 in the air.

4. HOME SECURITY

To 7 a.m. 25th. 3 rocket incidents reported.

134

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN EMBASSY, London
TO: Secretary of State, Washington
DATED: December 25, 1944
NUMBER: 11434

CONFIDENTIAL

The following is for WEB and Department.

Recently a meeting was held informally to discuss the position of Jews in Rumania between representatives of WEB and the Embassy, Mason head of Refugee Section of Foreign Office and Emerson, Director of IGC. The latter noted that strictly speaking, helping Rumanian Jews in Rumania (which is liberated territory now) was not within IGC mandate but that enabling Rumanian Jews to earn a living in Rumania, thus preventing their departure and becoming a grave problem of IGC (and possibly the major one) was a matter of very real interest to IGC.

Around 450,000 Jews are in Rumania, according to data of Emerson, and there is no means of earning a living now open to around 200,000 of them. The majority of these destitute individuals are Jews were previously dealt in commerce and who have no means of livelihood because they lost their property. Most of the remaining 250,000 are artisans, professional men, et cetera who can now earn their living through their services. It is calculated that there are 30,000 ardent Zionists who, in any case, will desire to leave Rumania. However, those of the 200,000 destitute Jews who are not Zionists will also try to leave the country unless some way to rehabilitate them can be discovered.

Foreign Office is prepared to instruct the British member of Commission to take the matter of rehabilitating Rumanian Jews up with the Commission, provided Department deems it advisable to instruct American member of Allied Commission to take similar action. It is the belief of the Foreign Office that with a view to facilitating and expanding action in the rehabilitation of Jews, an approach should be made by the Commission to the new Government of Rumania. Since new government apparently has begun action to relieve Jews' plight, this action should be taken as means of aiding such relief measures, rather than by way of complaint. In addition, the restoration of Jews' property (insofar as is practicable) and their rehabilitation can be connected with armistice terms, the Foreign Office believes. Mention now of IGC interest in this question to Commission is considered inadvisable by Foreign Office. It is the hope of IGC to be able to send a representative to Rumania to look into Jews' position, at a later date, when feasible.

The request was made by Emerson that Foreign Office and State have their members of Allied Control Commission and their political representatives make a report on the Jews' Position in Rumania at regular intervals. Emerson hoped that IGC would be given as much of this data as possible.

It is requested that Department's instructions be cabled.

DCR:GFW

12-26-44

WINANT

135

● sent to the Treasury at the Farm
for signature 12/26/44

December 26, 1944

Dear Ed:

Your note of December 23 gave me much pleasure. I reciprocate your good wishes most heartily and I know that I shall take great satisfaction in the opportunities we shall have to work together in the coming year.

I am having some new photographs made which will be ready early in January and I shall be happy to send you one of them.

Sincerely,

The Honorable
Edward Stettinius, Jr.,
Secretary of State.

*Photo mailed
1/4/45. All
lts in files*

W/S
HEG:aja

137
Morgenthau

THE SECRETARY OF STATE
OF THE UNITED STATES OF AMERICA

December 23, 1944

Dear Henry:

May I personally extend to you my heartfelt wishes in this holiday season. I have enjoyed immensely our close association during the year that is now drawing to a close and I look forward to working together with you in meeting the great responsibilities of the year ahead.

Will you please send me a copy of your most recent photograph, autographed, so that I may have it in the State Department.

With warm personal regards,

Sincerely yours,



The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

THE SECRETARY OF STATE
WASHINGTON

December 21, 1944

Dear Henry,

May I personally extend to you my heartfelt wishes in this holiday season. I have enjoyed immensely our close association during the year that is now drawing to a close and I look forward to working together with you in meeting the great responsibilities of the year ahead.

Will you please send me a copy of your most recent photograph, autographed, so that I may have it in the State Department.

With warm personal regards,

Sincerely yours,



The Honorable

Henry Morgenthau, Jr.

Secretary of the Treasury

Washington 25, D. C.



EMBASSY OF THE
UNITED STATES OF AMERICA

Paris, December 26, 1944.

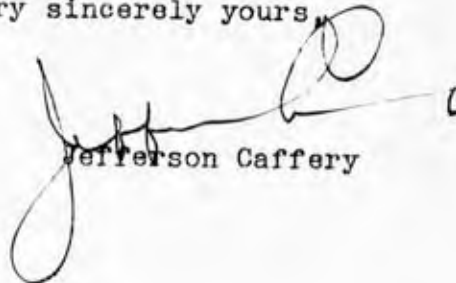
139
Copies to -
H. H. & L. J.

Dear Mr. Secretary:

I have received your telegram in regard to my Embassy's cooperation with your representatives here and I am most appreciative of your thoughtfulness.

I appreciate also your sending me your good wishes for Christmas and the New Year. On my part, I send you every good wish for 1945.

Very sincerely yours,



Jefferson Caffery

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

HEADQUARTERS
ARMY GROUND FORCES
OFFICE OF THE COMMANDING GENERAL
ARMY WAR COLLEGE
WASHINGTON, D. C.

December 26, 1944

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

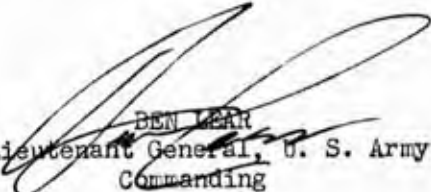
Dear Mr. Secretary:

It was a pleasure to receive your letter of December 22 concerning the activities of the Army Ground Force demonstration units and to learn of the success they achieved in stimulating interest in the Sixth War Loan. I appreciate deeply your thoughtfulness in writing to me.

Please consider our small contribution as an expression of thanks from the Army Ground Forces to the Treasury Department for the tremendous and vital part played in furnishing us with the equipment and weapons that we need in prosecuting the war.

With kindest regards.

Sincerely,


BEN LEAR
Lieutenant General, U. S. Army
Commanding



Treasury Department *How 141*
Division of Monetary Research

Date..... December 28 19 44

To: Secretary Morgenthau

You may be interested in this
brief report on British action in
Greece with respect to relief supplies.

H.D.W.

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

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

142

DATE December 26, 1944

TO Mr. White

FROM Mr. Glasser *WJS*

Subject: Meeting Held in General Hildring's Office December 18, 1944,
to Discuss the Greek Situation.

General Hildring asked the assembled representatives of State, F.E.A. and Treasury for advice on a situation in Greece which was brought about by a unilateral decision by the British to divert to Greece relief supplies from the Balkan stockpile. This action was undertaken by the British Army as a military measure. The American officers in AFHQ opposed the action. The result is the inadequacy of supplies for Yugoslavia and Albania.

The American soldiers in Greece are not taking sides in the dispute but are making a sincere effort to get food and medicine to both sides. General Sadler, the American commanding officer, passes through the lines and spends as much time on one side as he does on the other.

It was generally agreed by everyone present that the unilateral action taken by the British should be disapproved except to the extent that the diversion was necessary from a relief standpoint. It was generally agreed also that the relief and rehabilitation functions should be turned over to UNRRA as soon as possible and that the United States Army should then be withdrawn from Greece entirely.

MF-1186

PLAIN

London

Dated December 26, 1944

Rec'd 11 a.m.

Secretary of State

Washington

11443, Twentysixth.

FOR DEPARTMENT AND WRB

Embassy's telegram No. 8362, October 5, last paragraph. In order to make plans for next year IGC must know immediately whether United States Government approves estimate of operational expenses for 1945 in the sum of 2,000,000 pounds and whether United States Government will underwrite operational expenses for 1945 up to 1,000,000 pounds. Please instruct by telegraph at earliest possible date.

WINANT

WSB

MF-1339

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

Caserta

Dated December 26, 1944

Rec'd 10:50 p.m., 27th

Secretary of State

Washington

1922, December 26, 10 p.m.

FOR WAR REFUGEE BOARD.

Only files in this office with material pertaining to Ackerman's work have been carefully checked and we are forwarding everything except telegrams which must remain in our files. However, copies of all telegrams are presumed to be in your files. Baggage will go forward by first available transportation. Reference Department's 475 of December 15, 9 a.m.

This office will of course do everything possible to assist in any matters of interest to the Board.

KIRK

BB

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

Lisbon

Dated December 26, 1944

Rec'd 10:04 p.m.

Secretary of State,
Washington.

4286, December 26, 6 p.m.

THIS IS WRB 278 JDC 140 FROM FILPEL FOR LEAVITT.

Telegram received from Jewish appeal Johannesburg stating they believe balance their Hungarian commitment not needed and therefore they desire cancel it. Explained to them by cable their contribution still needed in accordance detailed cable of August 29 from Schwartz to them. Schwartz now Paris has been notified. In accordance his instructions request sent Johannesburg for monthly contribution toward winter budget France of ten million francs. After their meeting January expect their decision.

NOFEB

RR

Lisbon

Dated December 26, 1944

Rec'd 10:05 p.m.

Secretary of State,

Washington.

4287, Twenty-sixth

WRB 279, JDC 141. FOR LEAVITT FROM PIEPPL.

Yugoslav Red Cross providing food parcels, other assistance to approximately 1,200 Tepuske and 140 Split and community kitchen established Tepuske. All foregoing basis funds we supplying Resnik; hopeful arrange emigration for 600 of whom 400 Yugoslavians non-military age, 100 non-Yugoslavians and 100 children.

NORWEB

JT

NOT TO BE RE-TRANSMITTEDCOPY NO. 4SECRETOPTEL No. 418

Information received up to 10 a.m., 26th December, 1944.

1. NAVAL

One of H.M. Frigates damaged yesterday by mine or torpedo off Ostend.

Yesterday a Canadian Liberator made promising attack on U-boat off Halifax.

2. MILITARY

WESTERN FRONT. On Southern flank of German breakthrough further advances of 2 to 3 miles made to east and north of Ettelbruck. U.S. armour attacking towards Bastogne from the south not yet succeeded in linking up with forces cut off in this area. Wireless contact however established and surrounded troops can direct artillery fire of relieving forces. Germans have maintained heavy pressure on northern flank and our forces have withdrawn from the Vielsalm salient. Line now runs from Malmedy westwards through Stavelot - Grandmenil - Hotton - Marche - Boissonville - Celles to Dinant.

ITALY. Some improvement in weather on 8th Army front, but snow still lying and activity confined largely to patrols. Operations north of Faenza to clear Germans from east of River Senio are continuing.

EASTERN FRONT. Russians report progress in Czechoslovakia and have cut all main railway lines running westwards from Budapest.

GREECE. In Athens, Kallithea and adjoining district of Kharokopos cleared against light opposition. Our forces have also made further gains west of the Acropolis and almost half the capital now under British control. Good progress in Piraeus where our troops gained further ground north of harbour. EDES have made further withdrawals in Epirus..

3. AIR

WESTERN FRONT. 24th/25th. Cologne railway centre - 549 tons. Bonn airfield - 491, 2 trains blown up, 6 others destroyed and 13 German aircraft shot down by bomber support and tactical aircraft in battle areas.

25th. 389 U.S. heavy bombers (11 missing) escorted by 450 Mustangs (40 outstanding of which 32 believed safe) dropped 992 tons on railway bridges, communication centres, etc., Western Germany. Of about 400 enemy fighters seen, 49 claimed destroyed. About 700 medium bombers (7 missing) dropped over 1100 tons on railway bridges and communication centres in the central battle front areas.

About 2200 fighters and fighter bombers (30 missing) carried out offensive operations. 100 armoured vehicles, 875 motor vehicles, over 250 railway wagons and 18 locomotives destroyed and 34 German aircraft shot down.



ASSISTANT SECRETARY

TREASURY DEPARTMENT

Washington.

December 27, 1944.

Dear Henry:

I have just had a talk with Harry about the proposed book and I am more strongly than ever of the opinion that it will not be possible to publish it over your signature as Secretary of the Treasury.

Choosing some other means of getting it before the public may result in some loss in circulation but I think it could be handled in such a way as to minimize this and perhaps even to gain in effect upon public opinion. It seems to me that the book might be published under the title "The Morgenthau Plan", with some such sub-title as "A Discussion of the Treatment to be Accorded Germany" and I would think it might be possible for you to write a brief foreword. In this foreword, if I were you, I would not say that the book represents your ideas but simply that to be lasting in effect any measures adopted for the treatment of Germany must be understood and approved by the people of the United Nations and in particular by the people of the United States. Therefore you heartily approve all candid and honest discussion of this problem and from this point of view you commend this book to the attention of the American people.

Somebody of substance and reputation should be selected to write the book, using our memoranda of course as a basis. The title could be justified by a statement to the effect that published articles purporting to reveal your opinion on the peace settlement indicate views consistent with those expressed in the book. The author has therefore, with your consent, adopted the title "The Morgenthau Plan" for his book, which presents the general outline of a settlement with which he is in complete agreement.

I think it possible that a plan of this kind might be practicable and the book could have a very wide circulation.



- 2 -

I am told that when Rex Stout and Clifton Fadiman were here last week they expressed ideas somewhat along this line, but that Cass Canfield thought the book should have your signature. I suggest that the publisher is thinking more of sales than of the total effect and that the judgment of the two writers is much better from the latter standpoint.

Faithfully,

A handwritten signature in dark ink, appearing to read 'Rex Stout', written in a cursive style.

The Honorable Henry Morgenthau, Jr.

Hopewell Junction, New York

FEDERAL RESERVE BANK
OF NEW YORK 7

December 27, 1944.

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

Dear Secretary Morgenthau:

In the absence of Mr. Eccles, Chairman of the Federal Open Market Committee and its Executive Committee, I am writing to acknowledge your letter of December 22, 1944, concerning recent developments in the market for Treasury certificates of indebtedness. I think that a mutual understanding of both our problems and our responsibilities with respect to this market, and a reconsideration of the best ways of meeting these problems and responsibilities, is much to be desired. I and my associates on the Executive Committee of the Federal Open Market Committee are glad, therefore, that an early meeting has been arranged at which Mr. Eccles and I can discuss the whole matter with you and Mr. Bell. Meanwhile, your letter will be placed before all members of the Federal Open Market Committee so that they may be aware of your views.

Without attempting to anticipate our discussion of the specific problem which called forth your letter, and without attempting to speak for the whole Open Market Committee, I think it desirable to dispel at once certain implications which might be drawn from your letter. First, whatever views Mr. Eccles and I may have held about the desirability of a rise in short-term rates of interest, neither we nor the other members of the Committee have at any time contemplated seeking this end through a unilateral departure from our understanding with you, and we do not now feel that there has been a breach of this understanding. If we differ, it is on the terms of the understanding, not our continued adherence to it. My own concept of that understanding has been that we would try to maintain such conditions in the money market, and in the Government security market, as would enable the Treasury to finance the war at the general level of interest rates prevailing in the spring of 1942. This commitment has been kept right up to the present time.

Our satisfaction with this accomplishment suggests my second comment on your letter. At the outbreak of the war in December 1941, we immediately took the position which you have taken, namely, that the war should not be financed, as was the last one, at rising rates of interest. We have never deviated from that opinion and that purpose, either in public or in private. Whatever suggestions we have made concerning short-term rates of interest have anticipated that one result would be a reduction of the over-all cost of the Treasury's war financing, through enhancement of the appeal of the

FEDERAL RESERVE BANK OF NEW YORK 2.

Hon. Henry Morgenthau, Jr.

12/27/44.

shorter low rate obligations as compared with the longer-term obligations bearing higher coupons. This thread has run through all of our recommendations and our discussion memoranda right up to the present time. We should not want anyone to believe, therefore, that there has been any division of opinion between you and us on this important matter.

Our difficulties, it seems to me, have not been in finding agreement on the broad outlines of the war financing program, but in interpretation and execution of that program in areas where the Federal Open Market Committee has a special responsibility. It will be our purpose to discuss this with you at the meeting which has been arranged early in January.

Yours sincerely,



Allan Sproul, Vice Chairman,
Federal Open Market Committee.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 1/8/45

TO Mr. D. W. Bell
FROM Secretary Morgenthau

I understand that Eccles will get back here tomorrow. I wish you would see whether you can get him to answer my letter of December 22nd.

Alban Spauld
answered in Eccles' absence.
It came in while you
were away. Copies have
been sent to Hoar.

SWB
1-9-45

Dec 22, 1944

O
O
P
I

file in diary

Dear Harriner:

As Under Secretary Bell has indicated to you from time to time during the course of the past month or so, the Treasury Department is concerned over the rise in the pattern of interest rates on certificates of indebtedness, particularly those of short term, which has been permitted to take place during this fall.

The extent of this rise is shown by the enclosed chart, which compares the pattern of rates on certificates of indebtedness as of September 1, 1942, September 1, 1943, September 1, 1944, and December 19, 1944. The point on the yield curve for certificates of three months' maturity, which was about 0.46 percent on September 1, 1944, had risen to about 0.68 percent by December 19. The September 1 yields, as shown in the chart, were in line with the pattern of rates which had been maintained for the previous two years; while the yield curve on December 19 was markedly out of line with that pattern. This rise in the yields of short-term certificates of indebtedness places them entirely out of line with the $3/8$ of one percent rate on three-month Treasury bills.

You will recall that, at the discussions leading up to the establishment of the present pattern of rates, both you and Mr. Spraul believed that short rates should be fixed at a level higher than was finally decided upon. Both of you agreed, however, at a meeting held in my office on March 20, 1942, that the Federal Reserve System could and would execute any pattern of rates which I might decide was required for the efficient and economical financing of the war. This has continued to be our understanding ever since that time.

During this period, the Federal Open Market Committee has proposed increases in short-term interest rates on several occasions. I have felt myself compelled, as the Government officer principally responsible for the financing of the war,

- 2 -

to reject these proposals in each case. As you know, I feel very strongly that this war should not be financed, as was the last one, at rising rates of interest. Up to the current rise in certificate yields, the pattern of rates set in 1942 has been held extremely well; and I have, from time to time, commended you and many of your colleagues upon your fine performance of the promise which you had made to me, and have told you what a major role it has played in the efficient financing of the war.

It seems to me that the present rise in the yields of Treasury certificates of indebtedness constitutes a departure from the pattern of rates which you had agreed to maintain; and I should, therefore, like to request the Federal Open Market Committee to take appropriate steps, over a suitable period of time, to bring the yields of Treasury certificates of indebtedness back to approximately their September 1 levels.

Sincerely,

Honorable Marriner S. Eccles
Chairman, Federal Open
Market Committee
Washington, D. C.

Enclosure

RESTRICTED

FROM

LONDON

Secretary of State

DATED Dec. 27, 1944.

Washington

RECD. Jan. 4, 1945
9 a.m.

A-1499, December 27, 1944.

For the Department and War Refugee Board.

The following is the text of a letter dated December 22 and received today from the Refugee Department of the Foreign Office:

"The following is the substance of a telegram from Stockholm about the position of Jews in Hungary, which I read to you this afternoon. The date of the report is December 8th.

About 40,000 Jews, comprising 15,000 men from the labour service and 25,000 men and women rounded up in their homes or on the streets, have been forced to march 240 kilometres to Germany. Enroute they had to sleep in the open, in cold and rain, and the majority were fed only three or four times during the whole journey. Many died, and there was conclusive evidence of 14 deaths in two days at Mosonmagyaróvár; a secretary of the Portuguese Legation saw 42 dead; anyone unable to continue the march was shot.

At the frontier the Jews were taken over by the S.S. Special Kommande, brutally treated and drafted to work on frontier fortifications. 20,000 defence labour service Jews had also been sent by rail to the frontier and the majority put to work on Hungarian territory. Fortification work around Budapest has ceased.

Jews in Budapest are being collected in a central ghetto, assigned to hold 60,000 persons and in a ghetto for Jews holding foreign protective passports, designed for 17,000 but already containing 35,000. Thousands of Jews gradually removed from the latter ghetto to the central ghetto.

Arrow Cross men are behaving very cruelly towards the Jews."

This is not being telegraphed in view of the fact that the original report was dated December 8, 1944.

CJW:MJA

WINANT

Regraded Unclassified

MF-1544
Distribution of true
reading only by special
arrangement. (SECRET W)

London

Dated December 27, 1944

Rec'd 5:42 p.m.

Secretary of State

Washington

11461, December 27, 6 p.m.

FOR PERLE FROM MANN

Intergovernmental Committee Refugees proposes to send equivalents \$300,000 to Rumania, \$50,000 to North Italy and by credit to raise equivalent \$300,000 in Hungary for refugee relief. Transfers will be accomplished in case Rumania and North Italy by buying currencies of those countries in Switzerland while taking precautions to see that no assistance is given the enemy. It is understood IOC intends to use Joint Distribution Committee as agent in making proposed transfers but we do not know whether JDC has yet been fully informed by IOC or whether license application filed. Matter taken up by IOC with British Treasury which approved. IOC now asks approval of United States authorities before giving instructions to JDC.

While it appears proposals regard Hungary and North Italy within policies approved and followed by our Government there appears to be some question concerning proposed method of transfer to Rumania which is liberated. We asked IOC and British Treasury whether Russians had been consulted and if they were likely to object to transaction as proposed. Both said Russians not consulted and neither seemed concerned about their attitude to proposed transfer. Refugee section British Foreign Office has given tentative approval pending further clearance with political sections. We have no objections to any of proposed transactions (regard Rumania see Embassy's No. 11434 of December 25) but it seems consideration should be given to making Rumanian transfers through occupying forces unless that would entail too great delay. Please consult with Treasury and cable urgently reply to be made to IOC.

WINANT

JM

LC-1582
 Distrubation of true
 reading only by special
 arrangement. (SECRET W)

London

Dated December 27, 1944

Rec'd 7:50 p.m.

Secretary of State,

Washington.

11471, December 27, 7 p.m.

FOR PEHLE FROM MANN

I have had several conversations and conducted written correspondence with Oldenbroek concerning funds mentioned in WRB 29. Oldenbroek states equivalent of \$90,000 was made available in Holland in August or September by Dutch Minister for Home Affairs Mr. J. A. W. Burger. Burger has been in unoccupied Holland for some time but is expected back shortly. Oldenbroek's statements do not appear to be based upon actual knowledge but rather upon circumstances such as fact that Minister gave instructions and reports of a friend that the labor movement in Holland has received a large sum of money. Oldenbroek's written statements could not be called "assurances that Dutch Government has turned over equivalent amount for relief in occupied Holland". While he is said by all to be honest and dependable it seems to be that he does not have sufficient knowledge at this time to give assurances. I shall attempt to reach Burger upon his return here and obtain more satisfactory information. If as Oldenbroek states funds have been made available relief in Holland is not being held up by delay in reimbursing.

WINANT

WSB

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

CABLE TO AMERICAN LEGATION, TANGIERS, FROM WAR REFUGEE BOARD

Please deliver the following message to Renee Reichman, 23 Rue Moliere, Tangiers, from Rabbis A. Kotler and A. Kalmanowitz, Vaad Hahatzala Emergency Committee:

QUOTE YOURS DECEMBER 25 RECEIVED. CONTINUE YOUR FINE WORK. WILL CABLE YOU ADDITIONAL 6,000 DOLLARS ON GRANT OF LICENSE. INVESTIGATE ENDEAVOR SECURE INFORMATION ON LEA AUSTERN THERESIENSTADT AND BUBI KLEIN UNQUOTE

11:45 a.m.
December 27, 1944

ALH-1726

PLAIN

Lisbon

Dated December 27, 1944

Rec'd 10:11 a.m., 28th

Secretary of State

Washington

4297, Twenty-seventh

JDC 142 WRB 280 FOR LEAVITT FROM PILPEL

Resnik received one million lira for Yugoslav
relief Saly Mayer received \$400,000.

NORWEB

RR

CABLE TO AMERICAN LEGATION, STOCKHOLM, FROM WAR REFUGEE BOARD

Please deliver the following message to Fritz Hollander, Congress Committee Postbox 7306, Stockholm, from Dr. Arie Tartakower, World Jewish Congress:

QUOTE Kindly have foodparcels forwarded following Bergenbelsen inmates: Ellon, Alexander; Florsheim, Ilse & son; Heidemann, Siegfried, Mr. & Mrs.; Hirschmann, Max, Senta, Marianne, Eva, Bella, Julius; Isaac, Ruth Sara; Kaufmann, Ernst, Recha, Bernard, Lea; Rosenthal, Mr. & Mrs. Gottfried; Rosenthal, nee Goldschmidt, Maria, Erich, Elisabeth; Schwarzer, Moritz; Stein, Hans; Wreschner, Arnold H., Alice, Stephen, Robert, Gaby; Zimmer, Alexander, Minna, Thea, Lotte, Edith.
UNQUOTE

THIS IS WRB STOCKHOLM CABLE NO. 276

11:00 a.m.
December 27, 1944

BAkzin:ar
12/26/44

NOT TO BE RE-TRANSMITTEDCOPY NO. 4SECRETOPTEL No. 419

Information received up to 10 a.m., 27th December, 1944.

1. NAVAL

HOME WATERS. 26th. Two of H.M. Frigates torpedoed off Cap de la Hague. One sunk but the other reached port under own power. U-boat is being attacked. Off mouth of Scheldt, 2 midget U-boats sunk by H.M. ships and 1 probably 2, by Typhoons. 2 Norwegian M.T.B.'s sank cargo ship of 1800 tons and damaged escort vessel 80 miles north of Bergen.

2. MILITARY

WESTERN FRONT. During 25th slight progress made on southern flank of German penetration west of Echternach. Bigger gains, averaging 2 miles, made on whole front between Ettelbruck and Franco-Luxembourg frontier.

26th. Supplies and ammunition successfully flown into U.S. garrison at Bastogne. During both days little change on northern flank of German penetration, but several German attacks repulsed, while a U.S. attack on Grandmenil reached northern outskirts of town. Slight gains south of Duren.

EASTERN FRONT. Germans report Russians have extended attacks in Latvia with no important success. Russians report advance from west of Budapest continued, Esztergom occupied and encirclement Budapest completed.

BURMA. Our troops have advanced down Myitkyina-Mandalay railway from Kawn to within 20 miles of Ye-U.

3. AIR

WESTERN FRONT. 26th. 274 escorted Bomber Command aircraft (2 missing) attacked concentrations of armour, troops and supplies at St. Vith, dropping 1131 tons in clear weather. Excellent concentrations achieved. 129 escorted U.S. heavies dropped 317 tons on railway centres, bridges and other targets in Coblenz area. Results varied. 11 enemy aircraft destroyed. Our loss - 11 fighters, 8 believed safe. 282 medium bombers dropped 480 tons on railway targets in Western Germany. Results generally good. 1916 fighters and fighter bombers operated over battle area, mainly in central sector. 1496 vehicles destroyed or damaged, including 134 tanks. Enemy casualties 63,629. 34 Allied fighters missing or outstanding. 14 Mosquitoes (1 missing) attacked 2 ships of 2,500 and 1,500 tons off Norwegian coast. 1 damaged, other left on fire and sinking.

MEDITERRANEAN. 25th. 386 escorted Fortresses and Liberators (11 bombers, 2 fighters missing) bombed oil refinery at Brux - 314 tons, railway centres at Wels - 182 tons, Innsbruck - 85 tons, Hall near Innsbruck - 75 tons, and Graz - 39 tons. Results good. 632 medium bombers (3 missing) fighter bombers and fighters attacked close support targets and communications North Italy.

4. HOME SECURITY

Up to 7 a.m. 27th. 4 rockets reported during night.

This document contains information affecting the national defense of the United States within the meaning of the Espionage Act, 50 U. S. C., 31 and 32, as amended. Its transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law.

Regraded Unclassified

THE WHITE HOUSE
WASHINGTON

December 28, 1944.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

I am delighted that the hearings are going to start on the Bretton Woods Agreement when the House reconvenes.

Also, I will send up Harry White's name, and I am dropping a line to Bob Hannegan to that effect.

F. D. R.

(Sent to Pres at 163
Hyde Park while
Hops was on the farm)

December 28, 1944.

MEMORANDUM FOR

THE PRESIDENT

My dear Mr. President:

I want to write to you about two subjects. The first is the so-called Bretton Woods Agreement. The House is prepared to start hearings at the beginning of the new session. We are ready to present the arguments in favor of the Bill. I am counting on your continued full backing of this measure. I am afraid some of the banking interests are going to fight us. We have a good case and believe the attitude of the Congress will be non-partisan. May I receive a word of encouragement from you on this matter?

In connection with Harry White, I sincerely hope you will send his name up as Assistant Secretary of the Treasury to the Senate on the first day. He will have to carry the brunt of the fight of the Bretton Woods legislation and the additional prestige of being Assistant Secretary will be most useful. He has earned this reward many times over. The Administration needs him in the field in which he has distinguished himself so brilliantly. White has been more than a match for people like Lord Keynes. I strongly recommend his promotion.

H. M., JR.

9.15.77.11, Dec 28, 1964

My dear Mr. Pres.

I want to
write to you about two
subjects.

The first is the so called
Bretton Woods agreement.
The House is prepared
to start hearings at
the beginning of the new
Session. We are ready
to present the arguments
in favor of the bill. I
am counting on your ^{continued}
full backing of this
measure.

I am afraid some of 165
the banking interest
are going to fight us.
We have a good case
and believe the attitude
of the Congress will be
non-partisan.

May I receive a word of
encouragement from you
on this matter.

Second. In connection
with Harry White. I
sincerely hope you will
send his name up ^{as an act of} to
the Senate ^{in the first}
~~as an act of~~ day. He will have to
carry the ^{burden} of the
fight in the ^{McLure Woods legislation} bill and

this additional prestige
will be most useful.

He has earned this
reward many times
over. ~~as~~ The administration
needs him in the field
which he has distinguished
himself so brilliantly.

White has been more than
a match for people like
Lord Keynes, and I feel
I strongly recommend
his promotion.

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

December 28, 1944

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended December 20, 1944, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

Emb

FEDERAL RESERVE BANK
OF NEW YORK

December 27, 1944.

CONFIDENTIAL

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

I am enclosing our compilation for the week ended December 20, 1944, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Very truly yours,

/s/ H. L. Sanford

H. L. Sanford,
Assistant Vice President.

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

Enclosure

C O P Y

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

Strictly
Confidential
Week Ended December 20, 1944

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)								BANK OF FRANCE				
	DEBITS				CREDITS				Total Debits (a)	Total Credits (c)	Net Incr. (+) or Decr. (-) in \$ Funds (d)		
	Total Debits	Gov't Expenditures (a)	Official Canadian Account	Other Debits	Total Credits	Proceeds or Sales of		Transfers from Official Australian Account					
						Gold	Securities (Official) (b)						
War Years (a)								Other Credits (c)					
First	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3 (f)	1,095.3 (f)	+ 299.0
Second	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Third	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
Fourth	764.0	32.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3
Fifth	1,197.7	300.4	61.4	835.9	1,369.6	-	-	253.0	1,116.6	+ 171.9	-	-	-
1944													
September	151.0	19.9	50.4	80.7	56.5	-	-	1.0	55.5	- 94.5	-	-	-
October	127.9	21.0	7.4	99.5	54.7	-	-	1.0	53.7	- 73.2	-	-	-
November	74.2	45.4	2.9	25.9	92.1	-	-	1.0	91.1	+ 17.9	-	-	-
December													
1945													
January													
February													
March													
April													
May													
June													
July													
August													
Week Ended													
November 28, 1944	21.2	10.7	-	10.5	7.3	-	-	-	7.3	- 13.9	-	-	-
December 6, 1944	16.0	7.3	-	8.7	21.5	-	-	1.0	20.5	+ 4.0	5.2	0.3	- 4.9
December 13, 1944	27.5	23.1	-	4.4	6.2	-	-	-	6.2	- 21.3	50.1	1.0	- 49.1
December 20, 1944	8.1	5.6	-	2.5	44.9	-	-	-	44.9(h)	+ 36.8	0.5	0.4	- 0.1

Average Weekly Expenditures Since Outbreak of War

France (through June 19, 1940) \$19.6 million
 England (through June 19, 1940) \$27.6 million
 England (through June 20, 1940 to March 12, 1941) \$54.9 million
 England (since March 12, 1941) \$21.8 million

See attached sheet for footnotes.

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6,
- (h) Includes \$ 18.6 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, and \$24.0 million representing payment to armed forces abroad.
- (i) Transactions for account of Caisse Central de la France d'Outre-Mer included for first time in week ended December 6, 1944.

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

Strictly
Confidential
Week Ended December 20, 1944

PERIOD For Years (a)	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)							
	DEBITS			CREDITS					DEBITS			CREDITS				
	Total Debits	Transfers to Official A/C	Others	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C			Net Incr. (+) or Decr. (-) in Funds (b)	Total Debits	Transfers to Official A/C	Others	Total Credits	Proceeds of Gold Sales	Others	Net Incr. (+) or Decr. (-) in Funds (b)
		British A/C	Debits			For Own A/C	For French A/C	Other Credits			British A/C	Debits			Credits	
First	323.0	16.6	306.4	304.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
Second	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 8.0
Third	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	+ 5.0
Fourth	723.6	-	723.6	958.8	47.1	170.4	-	741.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4	+ 3.4
Fifth	849.3	1.0	848.3	956.5	38.1	61.4	-	899.0	+ 283.3	298.6	251.0	45.6	287.7	-	287.7	+ 10.9
1944																
September	74.5	0.1	74.4	97.8	-	50.4	-	41.4	+ 17.3(r)	5.8	1.0	4.8	7.3	-	7.3	+ 1.5
October	24.1	-	24.1	84.2	-	7.4	-	76.8	+ 60.1	20.5	1.0	19.5	21.0	-	21.0	+ 0.5
November	38.8	-	38.8	53.7	-	2.9	-	50.8	+ 14.9	3.4	1.0	2.4	5.8	-	5.8	+ 2.4
December																
1945																
January																
February																
March																
April																
May																
June																
July																
August																
Week Ended																
November 29, 1944	8.1	-	8.1	2.8	-	-	-	2.8	- 5.3	0.1	-	0.1	0.9	-	0.9	+ 0.8
December 6, 1944	8.1	-	8.1	8.8	-	-	-	8.8	+ 0.7	3.1	1.0	2.1	3.5	-	3.5	+ 0.4
December 13, 1944	2.9	-	2.9	3.0	-	-	-	3.0	- 0.9	- (r)	-	- (r)	0.3	-	0.3	+ 0.3
December 20, 1944	5.4 (a)	-	5.4	14.5 (a)	-	-	-	14.5 (d)	+ 9.1	1.0	-	1.0	1.1	-	1.1	+ 0.1

Average Weekly expenditures for

First year of war	6.2 million.
Second year of war	8.9 million.
Third year of war	10.1 million.
Fourth year of war	13.9 million.
Fifth year of war	16.1 million.
Sixth year of war (through December 20, 1944)	7.4 million.

- (a) For monthly breakdowns see tabulations prior to: April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.
 (b) Reflects changes in all dollar holdings payable on demand or maturing in one year.
 (c) Does not reflect transactions in short term U. S. securities.
 (d) Includes \$ 6.9 million deposited by War Supplies, Ltd.
 and \$ 7.3 million received from New York accounts of Canadian chartered banks.
 (r) Revised.

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



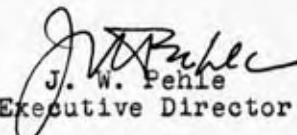
OFFICE OF THE
EXECUTIVE DIRECTOR

DEC 28 1944

My dear Mr. Secretary:

I am pleased to send you herewith a copy
of the report of the War Refugee Board for the week
of December 11 to 16, 1944.

Very truly yours,


J. W. Pehle
Executive Director

The Honorable,

The Secretary of the Treasury.

Enclosure.

Report of the War Refugee Board
for the Week of December 11 to 16, 1944

SITUATION IN HUNGARY

Information received from Representative Katzki confirmed reports from Representative McClelland last week concerning deportations of Jews from Budapest on foot. As a result of their lack of food or clothing and the sadistic treatment which they received, 20% of the deportees died before reaching Hegyeshalom, according to estimates of escorting personnel. Local efforts were successfully made to have the upper age limit for deportees reduced, and deportations were said to have ceased on November 22.

Supplemental information which Representative McClelland received from a trustworthy private source indicates the disposition to be made of the 100,000 Jews remaining in Budapest. Some 80,000 persons are being concentrated in a ghetto located in the seventh "arrondissement" of the city, a section comprising about 162 Jewish, 133 Christian, and 101 "mixed" houses. The number of rooms available for the 80,000 Jews there was estimated at 10,000 by the Hungarian office in charge of this concentration. About 20,000 Jews will be left in other parts of Budapest. It was also reported that the former Jewish Senate "de facto" was dissolved toward the end of November and that Jewish representation within the narrow limits left them by the Szalasy regime and the Gestapo has been taken over by a smaller group headed by a Dr. Karl Wilhelm.

Representative McClelland advised us that, in accordance with our request, the Swiss authorities and the International Red Cross have been asked to obtain through their representations in Budapest whatever information they can from German and Hungarian authorities regarding the present status of Jews in Budapest who hold Spanish protective papers and entry visas.

SITUATION IN SLOVAKIA

Representative McClelland was reliably informed by an individual who left Bratislava about December 1 that as of that date there were approximately 900 Jews in Bratislava and some 2,500 to 3,000 in the German-occupied provinces who have succeeded in hiding and thus far escaping deportation. In the camp at Sered there then remained only about 150 persons, the majority of whom are half-Jews ("Mischlingen")

- 2 -

and Jewish partners of mixed marriages. Virtually all other Jews have been deported.

When approached by the Swiss regarding Jewish claimants to American nationality interned in or removed from Slovakia, the Chief of the Legal Section of the German Foreign Office indicated that at the time of the actual dissolution of the camp at Marianka by German authorities, eight American nationals considered by German authorities as of Jewish origin were left there. The German official stated that he is awaiting the decision of the Slovak Government with respect to the request made by the German Government for its concurrence in the transfer to Germany of these eight persons in order that they might be included in a proposed German-American exchange.

SITUATION IN POLAND

Ambassador Harriman cabled us information obtained from Polish sources in Moscow concerning the fate of Jewish refugees in Eastern Europe. According to his information, 20,000 Jews have been found in Polish territory liberated by the Soviets; of these, 2,000 are in the city of Lublin. There are said to be about 150,000 Polish Jews in the Soviet Union. A Central Jewish Committee has been organized in Lublin, and funds have been allotted to it to be used for the rehabilitation of Jews in the liberated area. The projects to which these funds will be applied include the establishment of mess halls, schools, children's homes, hospitals, communal kitchens, etc.

RELIEF FOR UNASSIMILATED INTERNEES IN GERMAN CONCENTRATION CAMPS

A further report on the distribution of 25,600 parcels made up of foodstuffs from salvaged S/S "Christina" cargo was received from Representative McClelland. The parcels were distributed to unassimilated persons in the following concentration camps:

Buchenwald	7,694 parcels
Sachsenhausen-Oranienburg	7,273 "
Dachau	3,799 "
Ravensbrueck (Women's camp)	2,688 "
Hamburg-Neuengamme	1,277 "
Natzweiler	1,100 "
Weimar-Schliessfach	685 "
Mauthausen	520 "
Bergen-Belsen	378 "
Feldpost 07702*	206 "

*Designation for a camp in which a number of prominent French political deportees are held and the location of which the Germans refuse to reveal.

- 3 -

McClelland also described the manner in which a contribution to the International Red Cross by a private organization has been used for Jewish relief. Funds were sent to Rumania through the Intercross delegate in Bucharest for the purchase of food and clothing and for financial relief to Jewish refugees, especially returning Transnistrian deportees. Medical supplies were shipped by the Joint Relief Commission of Intercross to Bergen-Belsen, the Jewish community at Zagreb (including camps in Croatia), Theresienstadt, Birkenau, and to the "Judische Unterstutzungsstelle" (Jewish Relief Committee) in Cracow. Food shipments, both collective and in parcels, were made to Cracow in May, June, and July, to Theresienstadt in July (two), to Budapest in June (condensed milk for children), to Birkenau in September, and to Bergen-Belsen in November.

We recently cabled our Legation in Stockholm that shipment of 224,328 parcels was being made to Gothenburg instead of to Marseilles because of lack of shipping facilities to the latter port. The Foreign Office has advised Minister Johnson that the Swedish authorities have no objection to these parcels being forwarded to Germany from Sweden by Intercross ships, it being understood that the parcels are to be handled under Intercross auspices. In connection with our recent request that the approval of appropriate Swedish officials be sought for the offloading at Gothenburg of a shipment of 10,000 pounds of clothing approved by the Ministry of Economic Warfare for distribution by Intercross to unassimilated persons at Bergen-Belsen and other camps, Minister Johnson cabled us that Swedish authorities have shown their full readiness to cooperate.

INTERNEES AT BERGEN-BELSEN

Representative McClelland advised us that he is endeavoring to obtain from competent sources all information available concerning persons still at Bergen-Belsen who claim American or Latin American nationality. He is also attempting to compile a more general nominative list of internees remaining in the camp so that War Refugee Board parcels may be sent to them. He indicated that he would contact the group of Hungarian Jews, whose arrival in Switzerland from Bergen-Belsen was reported last week, but that he did not expect these people would be able to give him much precise data along this line, since it is his understanding that they were fairly well segregated from the other internees in the camp.

- 4 -

UNITED STATES VISAS FOR PERSONS IN ENEMY TERRITORY

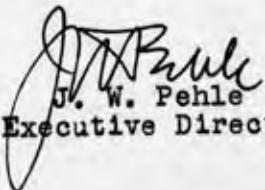
In confirming receipt and transmission to the Swedish Foreign Office of lists of persons eligible for inclusion in the special visa programs developed to benefit certain categories of persons in enemy territory, Minister Johnson advised us that a Foreign Office official stated that no action has been taken to forward these lists to Swedish Legations in the countries concerned. To explain the position of the Swedish authorities in doubting that such action would benefit the individuals involved, it was pointed out that they are loath to do anything which could in any way jeopardize or retard the program of special measures which have been taken during the last few months by the Swedish Legation in Budapest to protect about 15,000 Jewish proteges, about 5,000 of whom have Swedish protective passports. The Swedish authorities are of the opinion that presentation of the Board's lists to the Hungarian Government would have an unfavorable result and might conceivably damage their other Jewish relief work, and that no practical value is to be had by presenting such lists. With respect to the Board's lists of persons in France, Germany, Czechoslovakia, Poland, etc., the Swedish authorities, after consultation with the Swedish Minister in Berlin, are reluctant to submit the lists to the German Government in the fear that presentation of these names would adversely affect the outcome of the rather large number of special relief cases already being handled. The Foreign Office accordingly suggested that the Swiss Government could perhaps hand the lists to the German Government with the recommendation that advantage be taken of this opportunity to send Jews to the United States. At the same time, Sweden could repeat the assurances given to the Germans in August with respect to its willingness to allow the entry into Sweden of any person to whom an American immigration visa was issued on or after July 1, 1944.

The Board immediately replied that, while we appreciate the weight of the Swedish arguments and would be inclined to accept them, we feel that the attention of the Foreign Office should be drawn to the fact that, after having informed the German Government in August that Sweden is willing to allow the entry of persons with American immigration visas, it would seem both necessary and logical for Sweden to follow up this action by informing the Germans of the names of the persons concerned. With respect to the transmission of lists to Hungary, we advised him that we agree that, in view of developments in Hungary, transmission of the names of Jews still in Hungary would be of no likely benefit, but that, since many Hungarian Jews have been deported to Germany and Austria, we feel that the transmission of their names may still be beneficial.

- 5 -

LATIN AMERICAN PASSPORTS

Representative Mann advised us that the Chief Rabbi's Religious Emergency Council in London received a cable from Stockholm stating that the validity of Ecuadoran passports expires in January and requesting that the President of Ecuador be asked to authorize the Ecuadoran Consul in Stockholm to renew the validity of the passports and to instruct the protecting power to protect interned holders of such passports. Upon inquiry by the Intergovernmental Committee, the Ecuadoran Minister in London stated that steps have been taken to prevent the use in France of such passports as are legally invalid, but that no steps have been taken to invalidate passports held by people in enemy or enemy-occupied territory. He pointed out, however, that all passports are valid only for one year unless prolonged. The Intergovernmental Committee requested the Ecuadoran Minister to ask his Government to prolong all Ecuadoran passports held by Jews in Germany or German-occupied territory. It was suggested that the Board take the matter up with the Ecuadoran Government, requesting that all Ecuadoran passports, though irregularly issued, be prolonged, and that no passports be invalidated, even in liberated areas, since such action, if it becomes known to the Germans, might prejudice any protection now enjoyed by the holders of Ecuadoran passports who are in German-controlled territory. We cabled this information to our Embassy in Quito with the request that Ecuadoran officials be approached with a view to having appropriate instructions along the lines suggested sent to Ecuadoran consuls in Stockholm and elsewhere.


J. W. Pehle
Executive Director

CABLE TO AMERICAN EMBASSY, PARIS, FROM WAR REFUGEE BOARD.

Please deliver following message to Dr. Marc Boegner, Chairman,
Sponsoring Committee, Comite Inter-Mouvements Aupres des Evacues, 47 Rue de
Clechy, Paris Nimes, from Dr. Leland Rex Robinson of the American Christian
Committee for Refugees:

QUOTE FOLLOWING CONFERENCE WITH LIVINGSTON WARNSHUIS CABLING
YOU \$10,000 FOR CIMADE USE AS OUR REPRESENTATIVES FOR SERVICE REFUGEES
FROM OTHER COUNTRIES. THIS REPLACES SIMILAR AMOUNTS OTHERWISE
RECEIVABLE VIA GENEVA BUT WHICH NOW UNABLE REMIT THROUGH SWITZERLAND.
PLEASE KEEP US ALSO FREUDENBERG INFORMED. FREUDENBERG CONFIRMING
DIRECTLY. UNQUOTE

4:30 p.m.
December 28, 1944

CABLE TO AMERICAN CONSULATE, JERUSALEM, FROM WAR REFUGEE BOARD

Please deliver the following message to Judah Magnes from M. A. Leavitt,
American Jewish Joint Distribution Committee:

QUOTE UNRRA DISCUSSED WITH US YOUR CABLE TO THEM REQUESTING
MEDICAL SUPPLIES FOR RUMANIA BULGARIA TO COMBAT TYPHUS MALARIA
OTHER EPIDEMICS STOP VIEW EMERGENCY SITUATION AND UNAVOIDABLE
DELAYS THAT MUST ENSUE BEFORE UNRRA CAN OPERATE THESE COUNTRIES
WE PREPARED PURCHASE FROM UNRRA SUCH SUPPLIES FOR SHIPMENT FOR
OUR ACCOUNT STOP IN ORDER DO SO WE MUST HAVE ASSURANCES FROM
YOU THAT ARRANGEMENTS CAN BE MADE FOR SHIPPING SUPPLIES FROM
CAIRO TO RUMANIA BULGARIA STOP PLEASE CABLE US SOONEST THAT
TRANSPORTATION FACILITIES AVAILABLE ALSO TO WHOM IN CAIRO
SUPPLIES SHOULD BE CONSIGNED STOP NATURALLY SUPPLIES MUST BE
USED ON NON-SECTARIAN BASIS WHEREVER EPIDEMIC EXISTS UNQUOTE

11:45 a.m.
December 27, 1944

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
 TO: American Consul, Jerusalem
 DATED: December 28, 1944
 NUMBER: 216

CONFIDENTIAL

Kurt R. Grossman, World Jewish Congress, transmits the following:

"World Jewish Congress received through Isaac Weissman following cables from Rumanian and Bulgarian Legations Lisbon. Bulgarian Cable reads quote Every facility will be given Jewish emigrants to export household effects. Regarding money at present in spite of entire willingness of the Government it is not possible to give countervalue in exchange since the National Bank does not possess foreign exchange. With the development of Bulgarian foreign commerce and acquisition of exchange everything possible will be done to satisfy interested parties. B. Athanassy unquote Rumanian cable reads quote Rumanian Minister Foreign Affairs authorizes me to send you following message quote Rumanian Government ready to grant all facilities to Jews wishing of their own accord to emigrate to Palestine. Emigrants will be free to export their furniture and personal belongings. Regarding exportation of capitals and other valuables general restrictions in force require further study with a view of harmonizing legitimate interest of Rumanian National economy and of national defense with the interest of the emigrants. This study will be undertaken with greatest understanding and goodwill unquote Regards Brutus Coste unquote Have Executive continue negotiations with both Governments based these statements. Concerning American boats will advise you next week."

STETTINIUS

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

Please deliver the following message to Isaac Sternbuch, St. Gallen,
from Rabbi A. Kalmanowitz of the Vaad Hahatzala Emergency Committee:

QUOTE CABLED YOU ADDITIONAL 428,861 SWISS FRANCS FOR RESCUE
WORK. ANXIOUSLY AWAIT DETAILED REPORTS EVERY PHASE RESCUE
PROGRAM DEVELOPING SITUATION NECESSITATES UTMOST SPEED AND
CONCERTED EFFORT RESCUE MAXIMUM NUMBER WITHOUT DELAY UNQUOTE

THIS IS WRB BERN CABLE NO. 339.

11:45 a.m.
December 28, 1944

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

Please deliver following message to Adolf Freudenberg, Geneva, from
Dr. Leland Rex Robinson of the American Christian Committee for Refugees, Inc.:

QUOTE REMITTING \$10,000 FROM NON-CHURCH SOURCES DIRECTLY TO
CIMADE NIMES OWING EXCHANGE REGULATIONS PREVENTING TRANSFER VIA
SWITZERLAND. CABLING CIMADE AUTHORIZING USE REFUGEES FROM OTHER
COUNTRIES. CHURCH COLLECTIONS SLOW UNTIL JANUARY THEREFORE YOU MUST
CONSIDER THIS SUPPLANTS YOUR REMITTANCES FRANCE EQUIVALENT AMOUNT.
PLEASE COMMUNICATE IMMEDIATELY CIMADE CONFIRMING EXPLAINING THESE
INSTRUCTIONS. CABLES GRATEFULLY RECEIVED. RECEIVED FROM SHUSTER
TWO HUNDRED FOUR DOLLARS THIS YEAR. UNQUOTE

THIS IS WRB BERN CABLE NO. 341.

4:30 p.m.
December 28, 1944

MH-1801
Distribution of true
reading only by special
arrangement. (SECRET W)

Bern

183

Dated December 28, 1944

Rec'd 2:55 p.m.

Secretary of State,

Washington.

8373 December 28, 9 a.m.

Forward from McClelland.

Kindly deliver following message from Schwartz
to Leavitt of JDC.

Have sent you via pouch names Hungarian Jews
recently arrived Switzerland and also forwarding full
list all Jewish refugees who arrived Switzerland
since August 1942.

Passan is already in London, therefore will
have to cut short my stay in France. Will, however,
proceed Belgium if at all possible.

In connection with project to admit 14,000
Hungarian Jews to Switzerland, we have been officially
informed that 1,000 are now ready to leave Budapest
and may arrive here shortly.

Please transmit to Saly Mayer \$300,000 account
transportation from Balkans to Istanbul.

Glad hear success annual meeting.

BUDDLE

LMS

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN LEGATION, BERN
TO: Secretary of State, Washington
DATED: December 28, 1944
NUMBER: 8379

CONFIDENTIAL

The following message is from McClelland for WRB.

See Legation's 7997 of the seventh of December and 7269 of the first of November.

I have received communication from the Chief of Federal Police dated the twenty second of December substance of which is transmitted in my 8380 of the twenty eighth of December, with regard to group of 1352 Jewish refugees originally from Hungary and lately awaited in Switzerland from Bergen-Belsen.

It is imperative that serious consideration be given at once to the practical task of evacuating these refugees from Swiss territory in view of this communication and with reference to paragraph four of our 7269. Accordingly I should appreciate data as to the plans of the Board in respect to this matter and naturally stand ready to aid in any way possible on this side.

With regard to the Palestine angle of evacuation of this group it might be wise to have Board's representative in London consult with British officials to determine whether the group can actually be admitted to Palestine.

HUDDLE

DCR:MLG
12/29/44

ASB-237

PLAIN

Bern

Dated December 28, 1944

Rec'd 8:33 p.m., 29th

Secretary of State,

Washington

8380, Twenty-eighth

"With reference to our conversation of December 14 I recently dispatched one of my assistants to Caux where these refugees are temporarily housed in order to determine composition of group. All ages and social classes are represented although percentage of intellectuals and professional men is relatively high. The majority are Hungarians including persons from Transylvania who acquired Rumanian nationality as a result of Vienna arbitration but there are also a few Poles, Slovaks and Yugoslavs.

All these refugees intended to go to Palestine some as young workers others as veteran Zionists or prominent members of Jewish organizations, still others to join relatives already there. Most of them had been assured that they would be admitted although none of them actually possess Palestine certificates or equivalent document. On other hand they all hold documents issued by Hungarian Red Cross or an international Jewish organization stating that a Palestine certificate in their name is available at Istanbul. These documents were for most part issued shortly before occupation of Hungary by Germans. For past few years it appears that several thousands of Hungarian Jews have gone to Haifa via Istanbul on basis of such documents. All these Hungarians who recently arrived in Switzerland originally intended to pick up their Palestine certificates in Istanbul and once in possession of them to proceed to Haifa. Almost all of them have relatives in Palestine. They do not know whether the certificates supposedly available for them at Istanbul are still valid or whether the Zionist organizations have taken any steps to assure their emigration. I believe that this information will permit you to form a rough idea of this group of refugees as well as of the manner in which their emigration might be organized. I should be extremely

grateful if you would use your influence to assure an early departure of these refugees. It is particularly important to know whether they can leave within the next few weeks. If this is the case we will leave them together. If on the other hand their departure must be postponed for a certain time another solution must be found. In any event, I should appreciate your letting me know as soon as possible whether their departure can take place in near future".

HUDDLE

MEM

MS-187

PLAIN

Bern

Dated December 28, 1944

Rec'd 6:46 p.m.

Secretary of State,

Washington.

8387, Twenty-eighth

FOR WRB FROM MCCLELLAND.

Kindly deliver to Leavitt JDC following message from Schwartz:

"UNRRA Yugoslav Mission offered Resnik five members British Jewish not on temporary basis. On Resnik's recommendation have authorized him accept their services.

For your information OSE expects send medical mission to Yugoslavia soon through Yugoslav Red Cross and we trying arrange have one of our representatives possible from France accompany unit.

Please advise status Isreal Jacobson and Arthur Fistsohn.

Spoke to Laura Margolis and authorized her pay for 10,000 food parcels for December even though relations with Congress group still complicated which hopeful will be satisfactorily settled shortly. Please expedite validation her passport for France and Belgium.

Please make no further remittances to France until you hear from us. We have shipped to France from here during December 150,000 cans condensed milk part sugared part unsugared at cost 180,000 Swiss francs. We are now purchasing through Intercross commodities for France for \$60,000 of which one-half for food balance for children's clothing; and for Belgium \$35,000. 2645.

HUDDLE

LMS

ALH-1850
Distribution of
true reading only by
special arrangement.
(SECRET W)

Bern

Dated December 28, 1944

Rec'd 5:21 p.m.

Secretary of State

Washington

8388, December 28, 5 p.m.

FOR WRE FROM MCCLELLAND

Please deliver following message from Union
OSE to Leo Wulmann American 124 West 40 NYC.

"Schwartz of JDC states he in contact with Lublin
and has forwarded parcels there through American
Russian relief and their Tehran representative.
Please let us know whether you have done anything
for Dr. Herzoghorn or whether you have received
further news from him. Extremely important you
apply Russian Ambassador for information concerning
Jewish population liberated areas particularly in
Lithuania and Latvia inquiring whether OSE activities
might be reestablished these regions. We propose ap-
proach Soviet representative in Paris (continued in
my 8389) on this subject.

HUDDLE

RR

HSD-129

PLAIN

Bern

Dated December 28, 1944

Rec'd 3:48 p.m.

Secretary of State,

Washington.

8400, Twenty-eighth.

Joseph Schwartz left Geneva for Paris December
25 advisable therefore send future messages from
JDC for him to Amembassy Paris.

HUDDLE

MRM

SECRETOPTEL No. 429

This document contains information affecting the national defense of the United States within the meaning of the Espionage Act, 50 U. S. C., 31 and 32, as amended. Its transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law.

Information received up to 10 a.m., 28th December, 1944.

1. NAVAL

On 26th two French Destroyers seriously damaged in collision off Naples.

EAST INDIES. During recent patrols Strait of Malacca one of H.M. Submarines sank 7 junks and two lighters and torpedoed a coaster. Another of H.M. Submarines sank three junks. During recent patrols one of H.M. Submarines sank a coaster Macassar Strait and another of H.M. Submarines probably sank 3,000 ton ship Sunda Strait. Yesterday a U-boat was destroyed by escorts of homeward bound convoy N.W. of Azores. Five officers, 49 ratings taken prisoner.

2. MILITARY

WESTERN FRONT. Unconfirmed but reliable report states contact regained with U.S. garrison Bastogne. Our forces along the whole of the southern flank of the penetration continue to advance. Strong German efforts to penetrate northern flank have met with no success, and the Allied line at the western end has now been stabilised between Marche and Givet.

ITALY. Fifth Army have lost some ground in Barga area as result of enemy attacks.

EASTERN FRONT. Germans claim defeat of Russian attacks in Latvia. Russians are closing in on Budapest and have occupied more suburbs east and west sides of city. They have also made further progress north of Szekesfehervar and in Southern Slovakia.

3. AIR

WESTERN FRONT. 27th. 191 heavy bombers of Bomber Command (1 missing) dropped 977 tons Rheidt Railway centre in clear weather obtaining excellent concentration.

588 U.S. heavy bombers (5 outstanding) dropped 1442 tons on six railway centres, four railway bridges and other objectives, chiefly between Bonn and Saarbrücken with mainly good results.

377 escorting fighters scored 29,1,9 in action with about 200 enemy aircraft for four missing (3 believed safe). Weather hampered operations over northern battle sector but 294 fighters scored 16,1,3 for loss of 9.

319 Tactical Bombers dropped 540 tons on communications central sector with good to excellent results, while 139 fighters scored 33,4,4 for 15 missing.

349 aircraft operated over southern sector and scored 2,3,2 without loss.

In these operations 143 armoured vehicles, 655 motor transport, 728 railway wagons and 68 locomotives destroyed or damaged.

158 Dakotas (50 towing gliders) dropped supplies in Bastogne area.

27th/28th. Aircraft despatched: Opladen railway workshops near Cologne - 328, bomber support - 66, other tasks - 14 Mosquitoes. Two aircraft missing.

MEDITERRANEAN. 26th. 427 escorted heavy bombers (19 missing) bombed oil refineries Blechhammer - 245 tons, Odertal - 237, and Oswiecim - 151, also five bridges Northern Italy - 176 with mainly good results. Over 1400 other aircraft (2 missing) successfully attacked objectives Brenner and Udine areas cutting railways in 42 places and scoring 16,1,10 on the ground. Balkan Air Force effectively attacked large scale enemy movements southern Yugoslavia.

4. HOME SECURITY

Three further rocket incidents reported for period ending 7 a.m. 27th.

House

December 29, 1944

TO THE SECRETARY:

In accordance with your request there is set out below a list of refundings since July 1, 1944, together with the results:

Date of maturity	Issue	Total amount maturing	Amount Exchanged	Amount retired for cash	Per cent Exchanged	New Issue
<u>1944</u>						
Aug. 1	7/8% Cert. of Ind.	\$2,545	\$2,511	\$34	99	7/8% Cert. of Ind.
Sept. 1	7/8% Cert. of Ind.	4,122	3,694	428	90	7/8% Cert. of Ind.
Sept. 15	{ 3/4% Treasury Note 1% Treasury Note	{ 635 283	{ 602 185	{ 33 98	{ 95 66	1% Treasury Note (3/15/46)
Oct. 1	7/8% Cert. of Ind.	3,519	3,492	27	99	7/8% Cert. of Ind.
Dec. 1	7/8% Cert. of Ind.	3,540	3,413	137	96	.90% Treasury Note (1/1/46)
Dec. 15	4% Treasury Bond	1,037	{ 137 737 33	130	87	{ 1-1/4% Treasury Note (9/15/47) 2% Treasury Bond (1952-54) 2-1/2% Treasury Bond (1966-71)

sub B

PHILIP T. HILL
POSTMASTER
SANTA MONICA



December 29, 1944

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

My dear Mr. Secretary:

Your complimentary letter and citation of December 22, 1944, in recognition of my having originated the V-Mail Christmas Bond Certificate, are keenly appreciated.

As an officer in the Navy during the last war, I was highly hopeful that my services would be acceptable in the armed forces this time. That not being possible, it has given me intense satisfaction to be associated with the War Loan work since its inception, and any contribution I have made to its success naturally gives unalloyed satisfaction.

Years ago, I had the pleasure of meeting you out here with Federal Judge Pierson M. Hall. I trust that such an opportunity will again present itself. With all best wishes for the coming year, I remain

Sincerely yours,

Philip T. Hill

MEMORANDUM FOR THE SECRETARY.

December 29, 1944.

Mail Report

Nothing new developed in this week's mail, which was light and without variety.

Again a great deal of the bond mail concerned Adjusted Service Bonds, and there were, of course, the usual numerous inquiries about ownership of E Bonds. Both the management and the outcome of the Sixth War Loan received quite a bit of favorable comment from those who helped with the campaign, as well as from outsiders who had merely observed its progress. Only 2 bonds were submitted for redemption, and there were but 3 or 4 complaints about delayed delivery of bonds.

Although several correspondents asked for copies of the new tax law or for forms to be used in connection with withholding procedures, there continued to be surprisingly little correspondence in regard to the tax measures that will become effective in 1945. Now and then a writer inquired about his present tax obligations or made a suggestion for further revenue. The eight who requested tax refunds this week usually told at length of family hardships that could be eased by return of the overpayments.

Christmas week was the occasion for 8 quite generous donations to the war effort and for many more greetings and good wishes.

Gr. Forbush

Unfavorable Comments on Bonds

Horatio C. Ray, San Juan, P. R. The 7th of April last, I wrote you concerning the transfer of a \$500 bond owned by my late wife, Margaret Masters Ray, who died intestate, to me. * * * According to instructions, I filled the Form P. D. 1646 with certified signatures of all the heirs agreeing to this transfer. This form was accompanied by a death certificate, receipts for all debt, and other necessary papers. In reply, I received a letter, dated April 15th, from the Office of the Commissioner of the Bureau of Public Debt signed by Mr. E. L. Kilby, which reads in part as follows: "As this case presents a somewhat difficult legal question it has required extensive consideration, particularly with reference to the applicability of Puerto Rican law. A decision will be reached shortly and you will be advised." The underscore is by me. September 15th, I wrote another letter asking what action had been taken. Although this letter was sent registered and I have the signed return receipt, I have never had any response to my letter to this date and no other word of any decision. Making all due allowance for the pressure of work that, no doubt, that office is working under, an answer could have been prepared in the seven months that have now passed since I wrote you, not to mention the fact that the original documents were sent in November 1943, now more than a year. Further, I have been assured by lawyers - the one's report accompanied the Form P. D. 1646; the other is Benitez Castano, President of the Puerto Rican Bar Association - that according to the laws of Puerto Rico, estates of this size do not have to be passed through the Courts, and further that under the law the above designated persons constitute the true and only heirs of my wife, hence I cannot understand the nature of the difficult legal problem. I have already spent considerable of my money on this matter, and if it has to be carried through the Courts here, I would be the one who would have to advance the money. This I have no intention of doing. * * * I am therefore urging that

- 2 -

your department kindly make an early decision on this matter. Should it be decided that Court action is necessary, please return the Form P. D. 1646 and the papers therewith that I sent. In case the Form is necessary for your files, at least send me the attached papers so that I may retain them for future reference. I shall be glad to send the necessary postage for their return.

Edward I. Kemper, Vice President, Union County Trust Company, Elizabeth, New Jersey. * * * Since October 2, 1944, this Bank, among many others, has had an extensive activity in cashing "E" bonds. Thus far we have cashed 11,747 bonds totaling \$304,890. Against this we have issued 3,797 bonds totaling \$290,681.25. * * * Before October 2, 1944, we did have requests for redemptions but, when we explained the process through which they would have to go, the impulse to redeem the bonds generally vanished. My greatest personal disappointment, however, has resulted from the Sixth War Loan Drive. I was one of a group of local people who put forth every effort to make the drive a success. We promoted a number of activities which were by no means an easy task. We secured over a thousand workers to ring doorbells. All in all we made ourselves available twenty-four hours a day, seven days a week. You can imagine my personal aggravation when, after a night of exhaustion in an effort to sell "E" bonds, I would come to my desk the next day and be confronted with hundreds of people desiring to redeem bonds of almost a like amount. * * *

Clyde H. Belknap, Lawyer, Spokane, Washington. I regret to be obliged to trouble the head of the Department with a matter concerning "E" bonds of only \$150.00 maturity value. However, having forwarded the bonds many months ago for payment, we now can neither get the cash nor the return of the bonds. Fred W. Herstein, in his life time, bought these bonds. Before his death, a guardian had to be appointed to care for him and his

estate. His estate was small. Upon closing the guardian's accounts, it was found that there remained in the estate only the defense "E" bonds in question. * * * It is self-evident to anyone with any knowledge of court procedure that a probate upon bonds of the present value of \$112.50, with the necessary court costs, administrator's fees, attorney's fees, and expenses for administrator's bond would eat up the entire value of the bonds. Rather than go to the technically correct expense, the court was asked by the guardian and his attorney to order the guardian to cash the bonds and use the proceeds to buy a marker for the deceased. * * * Although technically erroneous as to procedure, the order was made by the court on August 2, 1944. The bonds were immediately turned in by the guardian for payment. Somewhat over a month ago, we received a notice from A. E. Wilson, Assistant Chief of the Treasury Department, Fiscal Branch, Chicago, Illinois, stating that the Government would not permit payment of the bonds for the designated purpose stated in our Superior Court's Order. In other words, the Assistant Chief has decided that the Government will not permit its bonds to be cashed if it does not approve of the use to which the proceeds of the bonds will be put. Since one cannot fight the Government of the United States, especially when only \$112.50 is involved, we are obliged to accede to you. On November 24, 1944, we wrote to your Assistant Chief requesting the return of the bonds, stating that we would have an administrator appointed and follow the usual practice, even though this would result in the waste of the entire proceeds in a useless probate proceeding, rather than in the use of the proceeds for the purpose approved by heirs and all others locally interested. * * * The guardian cannot be released until the bonds are returned or their proceeds. In the meantime, he has to keep up the premium on his guardian's bond. The delay since last August caused by your assistant's action, adds considerable expense. Will you not see that these bonds are returned forthwith or that they are cashed as justice would require? * * *

Unfavorable Comments on Taxation

Eugene LaPorte, Washington, D. C. (Encloses copy of Tax Form 1040). I have just received a letter dated December 8th, signed by Chestina Barakay, Chief of Section, Internal Revenue, Baltimore, Maryland. It reads in part: - "Correction of your return discloses an unpaid balance of tax due to the amount of \$65.91, etc." Also the last Paragraph reads: - "This amount will be assessed with INTEREST, etc." * * * With the cost of living so high and the salaries so low, it does not seem right that we should have to pay an additional amount to a lawyer to figure out the forms, and, too, I know of lawyers who claim they, too, have to have help with their own papers. We have been told through the papers and otherwise that we can come to the Internal Revenue office, and clerks will help us with the forms - that clerks have been trained to do just this. SO, Mr. Morgenthau, WE, the LOW Salaried PEOPLE, go down and stand in line for Hours and Hours, awaiting our turn, only to find in many cases the SO-CALLED TRAINED CLERKS do not know as much as we do and are DISINTERESTED and CARELESS in many cases. This form as you will see is made out and signed by Clerk B. M. WYLIE. My Sister called up the Bureau and after talking to some clerk was connected with this MR. WYLIE himself. I will try to quote as nearly as possible some of his remarks: - He said he was only assigned there for a few days, did not know much about it all, and if he made a mistake, "SO WHAT?" He said they did not have to help us, only did it as a favor, and supposed that he made many mistakes - that was our hard luck. When my Sister told him we would have to pay interest, he then said, "Go ahead and pay it. What's 4 or 5 dollars? You are probably not the only one." I then said, "If we come down, will you go over the form and find your error?" And he then said, "NO, of course not. I told you I was only there as a favor and have nothing to do with them now." Mr. Morgenthau, I am attaching this form for your attention, asking

- 5 -

you if you think I should have to pay this INTEREST.
Also I am attaching it for your attention, thinking
perhaps you will put a stop to this kind of work
from CLERKS who are getting big salaries from the
Government PAID by this and all other TAX payers.

2 7 1/2 199
FOREIGN ECONOMIC ADMINISTRATION
OFFICE OF THE ADMINISTRATOR
WASHINGTON 25, D. C.

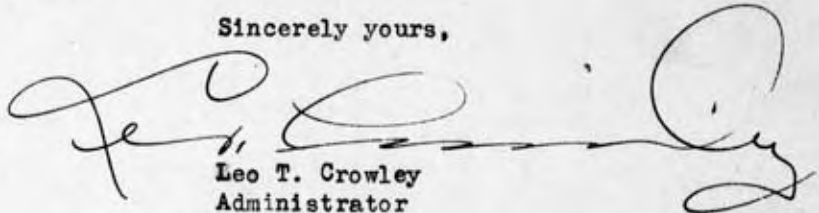
DEC 29 1944

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

Dear Mr. Secretary:

In reply to your letter of December 16, I agree with Mr. Acheson's recommendations concerning the arrangements to be made for reciprocal aid from Australia, New Zealand and India for our armed forces. I also agree that if this is the recommendation of the American Committee, the War Department should be so informed.

Sincerely yours,



Leo T. Crowley
Administrator

ME-439

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

Sofia

Dated December 29, 1944

Rec'd 2:10 p.m., 30th

Secretary of State,
Washington.

51 December 29, 6 p.m.

Unfortunately, Jewish refugees not able to proceed beyond Svilengrade (reference my December 23, noon) because Turkish authorities unwilling to accept them without assurance from British of onward passage and British unable under existing agreement with Turks to give such assurance. No helpful action possible here. Repeated to Caserta as No. 38.

BARNES

WSB

CABLE TO WINANT, LONDON, FOR MANN FROM WAR REFUGEE BOARD

Reference your letter December 2.

(1) Report submitted by trustees of Czechoslovak program is satisfactory to Board, Treasury and Labor groups sponsoring program.

(2) Your action with respect to \$75,000 of funds for Polish program is approved by Board. Labor groups here have been advised of this and approve. However, they suggest that you advise the trustees of the Polish project of the fact that the remittance of \$75,000 has been made but will not be released to them until you receive report that the \$250,000 has been sent into Poland. Please advise Board when you have further information concerning the \$250,000.

THIS IS WRB LONDON CABLE NO. 30.

11:00 a.m.
December 29, 1944

CABLE TO WINANT, LONDON, FOR MANN FROM WAR REFUGEE BOARD

Reference your 11395 of December 22 concerning funds for Belgian War Relief project.

Please advise Abramson that on December 13 McClelland paid Swiss franc equivalent of \$90,000 (total of all Belgian funds remitted to Switzerland) to Decaritat, Belgian Charge d'Affaires in Bern. This payment was made by McClelland in accordance with instructions sent by the Board on behalf of Abramson's group and A.P.L. and only after Ministry of Interior at Brussels had wired Decaritat authorizing him to accept these funds stating they were in contact with Major in Belgium and would make available to him in Belgium the local currency equivalent. Labor groups here request that you ask Abramson to get in touch with Jef Rens in London immediately who has all background on this transaction.

THIS IS WRB LONDON CABLE NO. 31.

5:15 p.m.
December 29, 1944

MS-161
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arrangement. (SECRET-W)

203

London

Dated December 29, 1944

Rec'd 5:37 p.m.

Secretary of State,

Washington.

11534, December 29, 7 p.m.

FOR PEHLE FROM MANN.

I have sent following message to McClelland.

"Henri Dentz of Netherlands committee for repatriation was advised a short while ago that pursuant to negotiations conducted in Switzerland by Jewish Dutch coordination committee Germans or some group thereof have offered to deliver in Switzerland at least 500 Jews at price 1,000 Swiss francs each. (FOR MCCLELLAND FROM MANN). Dentz and I have discussed and he is advised you familiar this matter. German offer is under consideration by Dutch Council Ministers. Dentz and I believe a statement from you on this matter giving such facts as available and if you think it advisable urging that Dutch accept offer and do all possible would increase chances favorable action. Please advise me as soon as possible. Repeated to Washington."

WINANT

MRM

CONFIDENTIAL

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AIR MAIL

No. 43

AMERICAN EMBASSY
London, December 29, 1944

SUBJECT: UNRRA and Displaced Persons' Activities

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

Sir:

I have the honor to refer to the London Embassy's confidential report No. 431 of November 16, 1944, considering the European Regional Office of UNRRA. The last paragraph in the section devoted to Displaced Persons, refer to a multi-lateral agreement, which various Governments have agreed to sign. For the Department's information, a copy of this agreement, which was prepared by UNRRA's Standard Technical Sub-Committee on Displaced Persons, is enclosed.

Mr. Fred Hoehler advises the present status of the pact to be as follows: Belgium and Luxembourg have signed without reservation; the Netherlands, Czechoslovakia and Poland have signed with reservations, (these are stated in the report under reference); letters of intention to sign have been received from the Yugoslav and Greek Ambassadors; and France has intimated that it will sign, probably with reservations. Mr. Hoehler states that failure of the agreement to receive whole hearted approval should not be viewed as discouraging, since the terms of the multi-lateral agreement are finding their ways into bi-lateral agreements, which will be communicated to UNRRA and which are providing for UNRRA observers.

Respectfully yours,

For Ambassador Robert Murphy

Donald R. Heath, Counselor

Enclosure:

A Multi-lateral Agreement Between the European United Nations Concerning the Care and Maintenance and Repatriation of Displaced Persons in Their Territories who are Nationals of the United Nations.

RM:MB:mg

Enclosure to Despatch No. 43 dated December 29, 1944, from
Ambassador Murphy, London

A MULTI-LATERAL AGREEMENT
BETWEEN THE EUROPEAN DEWIRED NATIONS
CONCERNING THE CARE AND MAINTENANCE AND REPARATION
OF DISPLACED PERSONS IN THEIR TERRITORIES WHO ARE
NATIONALS OF THE UNITED NATIONS

The Undersigned.....desires of ensuring that the problem of the return to their homes of Displaced Persons of United Nations nationality may be effectively and expeditiously dealt with on a well co-ordinated plan, and in accordance with the intention of the UERRA Agreement of November 9th 1943 and of Resolution No. 10 adopted by the Council of UERRA at its First Session held at Atlantic City, have agreed as follows:

1. For the purpose of this Agreement Displaced Persons shall be taken as meaning all nationals of the United Nations signatory to the aforesaid UERRA Agreement who come within the definition of Displaced Persons contained in paragraph 3 of the aforesaid Resolution No. 10.
2. The contracting parties recognise that, as soon as the military authorities agree, UERRA will operate as the central international organ for co-ordinating the work of repatriating Displaced Persons in Europe and for regulating by agreement between the Governments concerned the general conditions under which it shall be carried out. While each contracting party will retain full control over Displaced Persons in its own territory, it will nevertheless give UERRA all possible assistance to enable it to carry out its task, and will consult with UERRA on matters involving international aspects of the problem.
3. Each contracting party undertakes, on assuming responsibility for the administration of its territory or any part thereof, to take the following measures with reference to displaced persons who are nationals of another of the United Nations and who are found in the territory:-

(1) After consultation with the military authorities and in collaboration with the other Governments concerned, to urge the displaced persons, by radio and all other suitable means, to refrain from attempting to make their own way back to their countries but to stay where they are and co-operate with the measures to be taken for organizing their return home;

(2) To announce at the same time that, as part of the agreed policy of all the United Nations concerned, it will apply to the displaced persons and principle of equality of treatment with its own nationals and will provide for their orderly and speedy repatriation;

(3) To take without delay all practicable measures to have information collected concerning the location, nationalities, numbers, general condition and movements of the displaced persons, and to make such information available at the earliest possible moment to the other Governments concerned and to UERRA;

- (iv) To treat the displaced persons on a basis of equality with its own nationals in regard to the provision of food, the application of its public medical, relief and welfare services, and the application of restrictive health measures;
- (v) So far as available supplies permit, to provide displaced persons who are awaiting repatriation and are in need with clothing sufficient to make up the minimum necessary for health and decency until they leave the territory;
- (vi) To provide adequate shelter for the displaced persons and, where necessary, to organise assembly centres for collecting together those whose return to their own countries is being arranged;
- (vii) To lend its good offices for organising the individual registration of the displaced persons and to see that use is made of the international forms which have been prepared in consultation with the Displaced Persons Organisation of UNRRA;
- (viii) To ensure as far as possible that before they leave the territory for their own countries the displaced persons are furnished with any personal identity papers or other individual documents (e.g., employment books, wage books, social insurance books) which are in the custody of local authorities, employers or other agencies;
- (ix) In the case of displaced persons whose return to their own countries is likely to take some substantial time to arrange, to permit them to take up any temporary employment which may be available for them, in order that they may be in self-supporting as possible, provided that the authorities of their own country concur and that the terms and conditions of the employment do not put them in an unfavourable position on the whole as compared with nationals of the territory; and
- (x) To admit to its territory, if requested to do so by the Government of other of the United Nations, an approved Mission or approved Officials for the purpose of -

- (a) Identifying and establishing the national status of displaced persons claiming to be nationals of the United Nation concerned;
- (b) Issuing visas for their repatriation; and
- (c) Advising and assisting the authorities of the territory in providing for their care and maintenance and arranging for their repatriation;

Any such national mission shall be granted a status and privileges similar to those granted to the UNRRA mission referred to in Article 7.

4. Each contracting party undertakes: -

- (1) In the case of displaced nationals of another of the United Nations temporary refuge in its territory or who pass into the territory on their way to, and making their own efforts to reach, their own countries; to

deal with them as far as possible on the same footing as displaced nationals of other United Nations who are found in the territory at the time the Government assumes administrative responsibility for it, and to give all practicable assistance for facilitating their return to their own countries; and

(11) In the case of officially organized convoys of displaced nationals of another of the United Nations passing through the territory on their return to their own countries; to grant them freedom of transit, provided the authorities of the territory have been officially notified in advance of the origin and destination of the convoy and the time and route of its transit through the territory.

5. In the case of adjoining territories of two or more of the United Nations, the respective Governments undertake to confer on the steps to be taken at the common frontier between the territories in order to canalise and regulate unorganised movements of displaced persons seeking to return to their own countries, with a view to providing for carrying out the necessary measures in regard to them.

6. As regards displaced persons who are nationals of the United Nations, but whose place of settled residence before their displacement was in the territory of one of the United Nations other than that of which they are nationals, the contracting parties, while they can give no absolute or general guarantee to readmit all such persons into their territory, undertake to meet any requests they may receive for their readmission in a spirit of wide humanity as contemplated in paragraph (8) of the Report of Sub-Committee A of Committee IV of the First Session of the Council of URRA held at Atlantic City.

7. Each contracting party undertakes to admit to its territory an approved URRA Mission, or approved URRA Delegate, for Displaced Persons, and -

(1) To keep the Mission or Delegate fully informed of the measures being taken in its territory in respect to displaced persons who are nationals of another of the United Nations;

(11) To give the Mission or Delegate facilities for visiting centres where such displaced persons are located and for becoming acquainted with the arrangements made on their behalf;

(111) To consult the Mission or Delegate on matters affecting coordination of the movement of the displaced persons back to their respective countries; and

(1iv) To afford the Mission or Delegate facilities for enabling URRA to discharge its responsibility in respect of nationals of any United Nation whose Government has asked URRA to assist in providing for their care and maintenance and arranging for their repatriation.

- 4 -

8. It is understood that -

(i) In cases where UNRRA assumes responsibility for dealing with any group of displaced persons, in pursuance of Article 7, paragraph (iv), UNRRA will ensure that, so far as circumstances permit, the group will be dealt with by persons of the same nationality as the displaced persons;

(ii) UNRRA will consult with the parties signatory to this agreement as to any serious emergency which it is considered may arise through the influx of very large numbers of displaced persons, other than their own nationals, into their territories and as to any special assistance which may be needed from UNRRA for dealing with such an emergency.

9. It is understood that the contracting parties are free to make bi-lateral arrangements among themselves for applying or supplementing the provisions of this agreement, and that UNRRA will be informed of any arrangements which are so made.

CABLE TO AMERICAN CONSULATE, JERUSALEM, FROM WAR REFUGEE BOARD

Please deliver the following message to Judah Magnes from M.A. Leavitt,
American Jewish Joint Distribution Committee:

QUOTE EMERGENCY COMMITTEE TO SAVE JEWISH PEOPLE ADVISES US
JABOTINSKY CHARTERED SS TARI FOR \$200,000 AND FOR ADDITIONAL
\$100,000 FOR PROVISIONS OTHER CHARGES 1500 to 1700 IMMIGRANTS
FROM RUMANIA CAN BE TRANSPORTED TO HAIFA DIRECTLY. THEY
REQUEST WE FINANCE THIS PROJECT. PLEASE DISCUSS WITH JEWISH
AGENCY AND ASK JEWISH AGENCY TO CABLE US DIRECTLY WHETHER
CERTIFICATES ARE AVAILABLE FOR THESE IMMIGRANTS. WE WOULD
APPRECIATE RECEIVING ANY OTHER INFORMATION YOU OR JEWISH
AGENCY MAY HAVE RECEIVED FROM ISTANBUL CONCERNING PROPOSAL UNQUOTE

2:30 p.m.
December 29, 1944

FH:hd 12/27/44

MF-228
Distribution of true
reading only by special
arrangement. (SECRET W)

Stockholm

Dated December 29, 1944

Rec'd 8:03 p.m.

Secretary of State

Washington

5293, December 29, 7 p.m.

Information given in Department's 2566, December 21,
8 p.m., was conveyed to Foreign Office which today in-
formed Legation (this is our No. 118 for WRB in reply
to WRB 273) that for time being there is no means of
communicating with the Swedish Legation in Budapest.

JOHNSON

MJF

CABLE TO AMLEGATION, BERN, FOR MCCLELLAND FROM WAR REFUGEE BOARD

Amcross shipped for Board on S.S. Caritas II second half of December for off-loading at Toulon a total of 10,112 cases containing 60,672 three-kilo WRB food parcels for consignment to ICRC for distribution to unassimilated persons in camps. Outer shipping cases are marked as described in our 4001 of November 25, and each contain six three-kilo parcels. This shipment includes 9750 cases containing 58,500 "K" parcels which do not contain receipt cards. Balance of 695 cases containing 4,172 parcels include receipt cards as per wirephoto September 21. This shipment concludes the initial WRB 300,000 three-kilo food parcel program.

THIS IS WRB BERN CABLE NO. 345.

10:15 a.m.
December 29, 1944

CABLE TO AMLEGATION BERN, SWITZERLAND

Reference your 8177 of December 16, 1944.

Department and Board agree with suggestions made therein. Accordingly, you are requested to inform Swiss authorities that persons whose names were or will be forwarded to you pursuant to Department's 2605 of July 28 and 2918 of August 24 are eligible for exchange against German civilians under Department's 3082 of September 6 and A-540 of November 9. All of these persons are to be considered as bearing QUOTE documentation reflecting a right of admission into one of the Republics of the Western Hemisphere UNQUOTE (namely the United States) under Group F of Department's 3082 of September 6. In addition, those among these persons who are spouses or minor children of American citizens fall within Group C of Department's 3082, and those who are spouses or minor children of resident aliens fall within Group G established by Department's A-540 of November 9.

It is hoped that under this procedure nothing will stand in the way of the speedy transmission of the names included in the lists in question to the German authorities.

THIS IS WRB BERN CABLE NO. 346.

10:15 a.m.
December 29, 1944

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

Please obtain from Sternbuch as soon as possible a detailed report on the use of all funds remitted to him by the Vaad Hahatsala Emergency Committee for operations authorized under license No. W-2117. This report is urgently requested by the Vaad Hahatzala Emergency Committee and is required under the terms of the license. Report should be forwarded through War Refugee Board,

THIS IS WRB BERN CABLE NO. 347.

1:00 a.m.
December 29, 1944

CABLE TO AMERICAN LEGATION, BERN, FOR MCCLELLAND FROM PEHLE, WAR REFUGEE BOARD

We are transferring one hundred seventy-five thousand dollars to you for use at your discretion in furthering the programs of the War Refugee Board. These funds are not subject to usual government disbursement procedure and you will be responsible to me alone for their expenditure. You should, however, keep careful record of expenditure and obtain receipts where possible.

THIS IS WRB BERN CABLE NO. 348.

11:00 a.m.
December 29, 1944

December 29, 1944

American Legation

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

HEHN

4386

For Daymont from Allen

\$175,000 being made available to us in Swiss franks through the
Swiss National Bank for Roswell D. McClelland WRB on basis voucher
submitted this office. Do not reflect in your accounts but take
receipt for McClelland for latter attachment to voucher. Advise
McClelland funds are confidential.

STETTINIUS

Dent, Cohn, Hodel, Aksin, McCormack, Files

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, Bern
TO: Secretary of State, Washington
DATED: December 29, 1944
NUMBER: 8407

CONFIDENTIAL

Refer to Department's 4154, December 8; Legation's 7163, dated October 29, 1944.

Latin American interests Slovakia

Informally the statement was made by Swiss that according to a report from the representative of the Swiss at Bratislava nothing is accomplished by the transmission of Salvadoran identity papers to Jews in Slovakia as, according to the Permanent Intercross delegate, Mr. Dunand, the Jews underwent voluntary internment at Marianka camp some time ago as they considered themselves Salvadorans but they have however been removed from this camp and it is probable that by now they have ^{even} been deported. It is said that individuals applying anti-Jewish measures simply tore up the Salvadoran identity papers such as those issued at Geneva which interested persons possessed. In this connection the representative of the Swiss observes that the Jews concerned, most of whom possessed Slovak nationality by birth, met with difficulty in their assertions to the German authorities that they were of Salvadoran nationality.

HUDDLE

DC/L: EMS

12-30-44

Dated December 29, 1944

Rec'd 6:43 p.m.

Secretary of State

Washington

8415, December 29, 4 p.m.

FOR WEB FROM MCCLELLAND

I have just received discouraging news from ICRC that the freight cars containing our 15023 WRB parcels which left Gothenburg some time ago have been inexplicably held up by the German authorities at Warnemuende near Luebeck for almost two months and not forwarded to the concentration camps as we had thought.

I have urged ICRC to immediately investigate cause of this delay and committee has accordingly wired their Berlin delegate to take energetic steps to move these parcels.

I have communicated substance of your 4314, December 22 to ICRC and committee will undertake to forward test shipments of 250 parcels each to a number of accessible camps in Poland.

HUDDLE

EH

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN EMBASSY, CHUNGKING VIA NAVY
TO: Secretary of State, Washington
DATED: December 29, 1944
NO.: 2080 SECRET

Reference my despatch 3215, December 9.

Recommendations of United States Army fiscal director, this theater, that all United States Government agencies in China effect procurement of local services and supplies, through Army's central procurement and purchasing officer, wherever possible, utilizing no-rate Chinese national currency which Chinese Government is advancing to United States Army, have been placed before the weekly meeting of local representatives of agencies of United States Government here, after a study of the subject which Ambassador requested. Two aims are sought: (1) avoiding mutual competition and (2) economy envisaged through possible final settlement through reverse Lend-Lease or like arrangement for such CN advances. No apparent restriction to prevent transfer by United States Army of no-rate CN funds received from Chinese Government to other United States Government agencies in China for such utilization is perceived by fiscal director. In this connection, General Wedemeyer concurs in recommendations of fiscal director.

Committee representing interested agencies, who favor attempt to centralize procurement for stated purposes, has studied this subject. In addition, this committee is in favor of utilization of no-rate Chinese funds, provided they can be secured, but believes that we question whether fiscal director possesses authority to release to other agencies funds which Chinese Government has advanced to Army (particularly as there may have been developments in Sino-American financial arrangements recently of which we are not given detailed information, entire question should be placed before concerned agencies in Washington, as first step) and also that we question whether agencies could properly use these funds without Chinese Government's specific approval. For instance, there might be the question of making arrangements with Budget Bureau for apportioning dollar credits to Chinese Government among several United States agencies as offset for Chinese national currency advanced and difficulty might be encountered in adapting utilization of no-rate Chinese funds under requirements of American budget.

The suggestion is made that Department may desire to talk over the matter with proper agencies, with inclusion of FEA, Navy, OSS, OWI, War and Treasury, with idea in mind of cabling proper instructions to the Embassy.

HURLEY

DC/L:MMB:CR
12-30-44

ef:copy
1-3-45

NOT TO BE RETRANSMITTED

SECRETCOPY NO. 4OPTTEL NO. 421

Information received up to 10 a.m. 29th Dec. 44.

1. NAVAL

Greece 27th. Situation at Preveza quiet, but fall of town to ELAS considered inevitable and civilians are being evacuated to Corfu in H.M. Ships. Labour disturbances threatening at Heraklion (Crete); at Salonika situation difficult with ELAS in control. 7,000 ton British ship carrying 1500 troops in convoy to Havre sunk by mine or torpedo off Isle of Wight yesterday, only 6 of total complement lost.

2. MILITARY

Western Front. Third U.S. Army has linked up with Bastogne garrison from South, and further advances made between Bastogne and Echternach. On Northern Flank enemy pressure has decreased and Allied forces have made local gains. In gap between Marche and Bastogne situation remains fluid, Allied patrols reached Recogne and St. Hubert.

Italy. Enemy continued attack on Serchio Valley. Further withdrawals astride river made, but latest reports indicate that situation appears more stabilized.

Eastern Front. Russians report capture of 12 suburbs Budapest, on East bank of Danube.

Burma. In Arakan patrols reached Foul Point at tip of Mayu Peninsula. Forward troops travelling by boat reached point on Mayu River eight miles N.W. of Rathedaung.

3. AIR

Western Front. 27th/28th - 1155 tons dropped on Opladen Railway workshops. Bombing concentrated and attack considered successful.

28th - 164 escorted Lancasters, through cloud, dropped 747 tons Cologne (Gromberg) Railway Centre. Bombing concentrated. 1147 Escorted U.S. heavies, 3 missing attacked between Cologne and Saarbrücken, 9 railway centres including Koblenz (Moxel and Lurtzo) 1,237 tons, Kaiserslautern 302 tons, 4 railway bridges 599 tons and 3 other targets. Bombing by Pathfinder technique, no enemy aircraft encountered. 36 Spitfires attacked rocket sites in Hague area with good results. Mosquitoes escorted by Mustangs set on fire 2,000 ton ship N.W. of Stavanger.

28th/29th - 622 aircraft despatched Munchen-Gladbach and Bonn Railway centres 364, one missing Frankfurt, 87 Mosquitoes one missing cruiser KOLN and shipping South of Oslo 68, seaming 27 one missing and bomber support 76.

4. HOME SECURITY

Early this morning one rocket caused slight damage.

December 30, 1944
10:15 a.m.

GROUP

Present: Mr. D. W. Bell
Mr. Gaston
Mr. White
Mr. Haas
Mr. O'Connell
Mr. Blough
Mr. Pehle
Mr. Luxford
Mr. DuBois
Mr. McDonald
Mrs. Klotz

H.M.JR: I don't have much. We'll start with you, Mr. Gaston.

MR. GASTON: I don't think I have anything. We have a collector up in Duluth who's not attending to his duty, and I may ask you to sign a letter to him if you care to do that.

H.M.JR: I will. It was funny. Last night we had occasion--I can't mention who--on the train where we talked to him about White, whose name, incidentally, now is going up on the first day. I wrote the President quite a long letter and it came back the same day. It was answered. It's all cleared, the mechanics over there. Is the name over there?

MR. McDONALD: Yes, it went over there November 28.

H.M.JR: Anyway, somebody or other said, "Has that man up there, the collector up in Boston, stolen any money?"

MR. GASTON: Did you tell him he hasn't had time?

H.M.JR: I said, "I think not, Mr. President. Well, he would never take more than ten dollars." So then

- 2 -

he said, "Remember how you objected to this fellow Magruder?" And he said, "He was good, too." He said, "He was second or third on your list. You were worried about his graveyard--his racetrack." He had it all down pat, and he said, "You know the man over at Nogales?" He said, "All you objected to was he was the go-between for the fixer in Mexico. The poor man who handled all this money never kept any, and Henry made him pay an income tax, and all the money went through his hands." He said, "Henry is a very mean person."

I said, "Well, Mr. President, it is twelve years, and now we didn't have any yet really go sour on us, and in twelve years you insist on two appointments." I said, "I think your record is very good." It really was three, Magruder, the fellow in Nogales, and the fellow up in Boston. That is about all.

MR. GASTON: Yes.

H.M.JR: In eleven years it is really only three, but he was very funny. He had all the details. He said the fellow in Boston, the most he would steal is ten dollars.

MR. GASTON: He's a petty--

MR. BELL: He's a petty thief.

H.M.JR: He knew all the details. He knew all about this fellow. He was in Nogales, wasn't he?

MR. GASTON: Yes. He is a collector now, but he didn't have the details quite right. The money that passed through his hands, a couple hundred thousand of it, was in the form of real estate.

H.M.JR: He said, "That is the way to do things in Mexico." He said, "Henry just doesn't understand those things."

MR. BELL: It's ethical down there.

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H.M.JR: Incidentally, those people working on the work with me formerly--I want to very much read a letter that Herb Gaston wrote me which was a very excellent letter.

MR. GASTON: I was going to ask you if you got it.

H.M.JR: Excellent, and if you will make it available to White, White can circulate it. I would like them to read it. It is an excellent letter, excellent. Anything else?

MR. GASTON: No, nothing else.

H.M.JR: Mr. O'Connell?

MR. O'CONNELL: Did you ever get an answer to the letter you wrote to the Christian Science Monitor?

MR. GASTON: They printed about two-thirds of it, I should say, after the campaign.

MR. O'CONNELL: It was a good letter.

The only thing I have I think I ought to mention--it doesn't call for any debate, although it does recall the famous 1016 educational instructions. As we might have expected, there was quite a flood of requests for rulings during the past week. A number of organizations wanted a ruling that would permit the contributors to make a contribution before the end of this month, so they could take the deduction in their 1944 return. We quite consistently took the position that on anything but a very clear case we were not going to make any more rulings under 1016 regulations, educational instructions, until after the 1st of February, after we had done what you told us and come out with whatever results we would get.

The types of requests ranged all the way from a quite clear charitable trust, which we did approve and had no difficulty in approving, to a request to approve the creation of an aviation organization of some sort

- 4 -

which was being set up for the purpose of educating the people with respect to the importance of military aviation, and Oscar Chapman sent Jo Davidson and Mrs. Dorner in to see me, and they had an Arts and Sciences Committee which they wanted to set up on a non-profit basis for educational purposes. I told them on the basis of what they had given me they just didn't have any chance, not only now, but even the first of February.

It illustrates in a way the difficulties in the problem. They were completely honest and very naive, and probably not as well advised with respect to what to put into their statement of purposes and that sort of thing as some others. Right in the beginning was a statement that they proposed to support good legislation, to oppose bad legislation. On the basis of what they had done they had written themselves right out of 1016, but that is a rather superficial distinction, because all they would have needed to do, in terms of what has been done, was to have someone more familiar with 1016 who could have written them a more high sounding statement.

The only reason I am mentioning it is I thought it quite possible you might hear from some of the people that we had turned down. One of them was the man who is quite a good friend of the President's, a Major Hooker. I think you probably know him.

H.M.JR: What did he want?

MR. O'CONNELL: His was the aviation one.

H.M.JR: Really?

MR. O'CONNELL: Although it was not sent in by him.

(Discussion off the record)

MR. O'CONNELL: He was not the attorney for the applicant, but it was sent over from the White House. They called me about it because they were a little concerned about that attitude. I thought there was no reason for changing our general position saying no rulings until

- 5 -

the first. When they called me from the Bureau and wanted to know whether that was to be made an exception of, I told them no.

MR. BELL: Around there there is no trouble. I think it has an effect when you go down the line. When a fellow mentions the President in every other breath I think it does have an effect on his subordinates.

H.M.JR: On very good authority he will call up and say the White House will say that this is the White House Speaking--Major Hooker, we would like to have you--and then he goes ahead. It gives quite an advantage to have that--

MR. O'CONNELL: I think Tommy Corcoran used to do it years ago, but it is an advantage.

H.M.JR: The thing is we have had no real abuses of it in eleven years. I am just saying this so it doesn't seep down.

MR. O'CONNELL: Sure.

H.M.JR: Herbert, I forgot, I've been invited by the Radio Correspondents Association for dinner on the thirteenth, Saturday. Now, I don't know if this means overseas people or who.

MR. GASTON: I'll make an inquiry. I think it means radio correspondents in Washington, and there are some quite important people among them, but I'll find out just who.

H.M.JR: Martin Agronsky--incidentally, getting up late on the farm, eight o'clock, I could hear Martin Agronsky. If anyone listens to military broadcasts, he calls a spade a spade.

MR. GASTON: Yes, he does.

H.M.JR: I think in the morning he is very good. He has been on this last week. He has been tough. Do you listen to him?

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MR. GASTON: Yes, I have listened to him.

H.M.JR: If it is that kind of group--but if it is just the kind of people that come in here, announcers, you know, that level.

MR. GASTON: This is not announcers. Those are just voices. These are correspondents, writers, and commentators.

H.M.JR: If that is what it is, I think I would like to go.

MR. GASTON: I'll definitely find out who is in this Association.

H.M.JR: If you don't mind.

MR. GASTON: Some of the individual stations are now getting their own people in Washington, quite a few of them, as reporters.

H.M.JR: When they do an article for me in the Foreign Affairs and sign my name, see that they don't use three dollar words I don't understand myself. It is most embarrassing.

MR. GASTON: That is the thing I tried to cut out. I think I got defeated.

MR. WHITE: No. No. One dollar ninety-eight is the most, the biggest one. I read it last night again, and I think it is very good, very dignified, and very effective.

H.M.JR: You thought White was good?

MR. WHITE: No, there were six fingers in that pie including Fred Smith and Herbert. Herbert went over it and Adler wrote most of it. Bernstein went over it, and I went over it, and Mr. Gaston. I read it last night to see how it looked to me in print. I think it is a very good outline.

H.M.JR: Incidentally, I do not have it here, but I wrote a letter to the President saying we were going to

- 7 -

the Hill with Bretton Woods, and I would like a word of encouragement from him.

MR. BLOUGH: What did he say there?

MR. WHITE: He said, "I am delighted that the hearings are going to start on the Bretton Woods agreement when the House reconvenes."

MR. LUXFORD: Mr. Secretary, Senator Wagner's secretary told me last week that the Senator felt we needed strong support from the President. In other words, he felt it would go through very easily if we got a real backing from the President.

H.M.JR: If White again would read that paragraph that I wrote to the President, just the part where I asked about Bretton Woods--it is in the first part.

MR. WHITE: (Reading Secretary's letter to the President dated December 28.) "I want to write you about two subjects. The first is the so-called Bretton Woods agreement. The House is prepared to start hearings at the beginning of the new session. We are ready to present the arguments in favor of the bill. I am counting on your continued full backing of this measure. I am afraid some of the banking interests are going to fight us. We have a good case and believe the attitude of the Congress will be non-partisan. May I receive a word of encouragement from you on this matter?"

And that was his reply.

H.M.JR: That was Morgenthau drafting that, too. But I did that very deliberately.

MR. WHITE: I think we ought to let you do more of the drafting.

(Discussion off the record)

H.M.JR: Anything else?

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MR. BELL: On that point I called Judge Rosenman last night about the state of the union message and told him what we had done with respect to the budget message, and he said, "Well, does anybody ever read the budget message?" I said, "Well, I don't know whether they do or not, but do you think it would be better off in the state of the union?" He said, "Yes, I think it would," and I think he is right, and he said if you would send him over something, a paragraph, why he would try to work it in, in which case I think you might want to withdraw from the budget message.

H.M.JR: That was the thought behind that. I would much rather have it in the annual message than I would in the budget message, but I wanted to play safe.

MR. WHITE: We can put it in both, except that we can put a short line in the budget and put a paragraph in the state of the nation speech.

MR. BELL: They might put it in the budget message among a number of things that ought to be done in the next Congress, but where you can really put pressure on it is in the state of the union message.

H.M.JR: I feel, particularly in view of this correspondence, I would put it in a good stiff message on Bretton Woods, and I would leave the budget thing along, and the President is going to know it's in two places. In view of this exchange of views between himself and myself, I am more sure than ever, but I would like to make the effort to get it in the state of the union.

MR. BELL: I think he will notice it in the budget message, and I think if I say it here, why do you need to say it in the other place?

MR. O'CONNELL: Which one was first?

MR. GASTON: The state of the union.

H.M.JR: Will you--may I put the responsibility on you? (Indicating Mr. Bell) I would like to have it in the state of the union first. Everybody agree?

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MR. GASTON: Yes.

H.M.JR: Because--

MR. BELL: Harry, will you prepare something on this?

MR. WHITE: I will.

H.M.JR: All right. How far did we get? How far have we gotten?

MR. LUXFORD: Randolph Paul dropped in last week and said the Swiss bankers who have been over here negotiating with the Treasury on Swiss blocked assets are very discouraged about the progress they are making, and that they were sending out feelers as to whether or not they could get him to represent them. He said that he wanted first to get the reaction of the Treasury Department to it because, after all, he had been in Foreign Funds Control work and that he would have to have the permission of the Treasury in order to do it.

H.M.JR: I can answer that. He ought to know better than to ask.

MR. GASTON: Right!

MR. LUXFORD: I couldn't feel that way myself, that there is anything bad about it.

H.M.JR: Herbert is with me. It is perfectly ridiculous. A man who hasn't been out three to six months and made a fuss about leaving Foreign Funds, and it was his personal baby.

MR. WHITE: How about mitigating, sir? Maybe, Mr. Secretary, if we talked it over?

H.M.JR: You can't budge me. I am sorry.

MR. WHITE: By mitigating, from the point of view of Luxford--if there hadn't been this--we know that any presentation would not alter our decision--that he

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wouldn't get anywhere with them.

H.M.JR: Gentlemen, Lux is wholly within his rights to raise it. I am wholly within my rights to say as long as I am asked about Paul to say no. But it is a free country.

MR. WHITE: He would charge him probably a half-a-million dollars, and we would get half the taxes. They wouldn't get any change in the decision.

MR. BLOUGH: It is a revenue measure, then.

MR. GASTON: You can improve our position a little more since it won't change our position.

MR. WHITE: We would so inform Randolph that the decision would not be changed, but if he could charge a big enough fee so we could get a big enough tax--

H.M.JR: You have your fun. I am being in dead earnest, and the answer is no. And I am glad I have Mr. Gaston's backing.

MR. LUXFORD: All right.

H.M.JR: He has asked me. He knows how I feel, and the answer I think to be unfortunate--

MR. WHITE: I do not know whether the Swiss are going to bring any more pressure--not on this point. If so, I presume that you are still behind us in refusing the Swiss to unblock those assets?

H.M.JR: What the Swiss are doing--they have a very good Minister here who once said he wanted to come and have it out with me. His wife called me up about it, and I told him any time he wanted to come up he could come, and he never came, and that is fully six months ago. The answer to these people is let the Swiss Minister come in, not bring his wife, because she is too smart. (Laughter)

MR. GASTON: She is redheaded, too.

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MRS. Klotz: She is Wallace's sister.

MR. LUXFORD: In all fairness to Randolph, certainly he was not particularly interested in taking the case. He was raising it.

H.M.JR: He raised it, and thumbs down.

MR. GASTON: They had a financial counselor over there who was very smart.

MR. WHITE: The trouble is they are not looking for smart people. They don't think they'll get anywhere. They think they are picking someone with influence, and so we thought we would let them pick them. (Laughter)

For one-half million dollars he thinks he is getting people with influence.

MRS. KLOTZ: It takes one million dollars to find out he has no influence.

MR. GASTON: They never find that out, but it doesn't stop people from going on following the same trail.

H.M.JR: My answer is emphatically no.

What else, Luxford?

MR. LUXFORD: I think that is all. I want to talk to you a little later this morning about another matter, if possible.

H.M.JR: All right.

- DuBois?

MR. DuBOIS: Sometime soon, Mr. Secretary, I think we ought to sit down, a group of us, and discuss a memorandum McCloy sent to you, sent to the President on war crime.

H.M.JR: Did you fellows get the stuff I sent by registered mail from McCloy?

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MR. WHITE: Yes, he is referring to that--

H.M.JR: I sent it to you, didn't I?

MR. WHITE: Yes, I just read it, and they have read part of it.

H.M.JR: Will you see that by two o'clock I get two letters in answer to McCloy, one thanking him for war crime, and the other thing thanking him for sending me stuff on AMG.

MR. WHITE: If they are just thank you letters, I can have them ready, but if you want to comment, there is something in both we want to take up.

H.M.JR: Just acknowledge them, and I would like to have it by two o'clock. Tell them I should like to continue to receive those AMG reports.

MR. WHITE: We get the ones from which they are excerpted from Taylor.

H.M.JR: I want the original. Will you get that by two?

MR. WHITE: These are excerpts, but we might get both.

MRS. KLOTZ: Do you want to bring up the Gillette matter that the Secretary--

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MR. LUXFORD: Bergson called me the other day and wondered whether or not I might remind you about the Gillette matter and the inter-governmental committee, and I personally think it would be a good idea if we could move things in that direction.

H.M.JR: Just in the room here, his name is going up. The President tells me he is sending his name up to the Senate for the Surplus Property Board.

MR. LUXFORD: We know that at least informally, but I think that this is really another possibility.

H.M.JR: Well, I know how much trouble the President is having in finding people, and it would be a mistake for me to interject, and I don't think the President would like it. I'm perfectly willing to carry on things that I'd like the President to do which I think are important. I don't think this is important. They have got to find somebody else, and I think it would only annoy the President and nothing would happen. I know he has sent Senator Gillette's name up because he told me so. Gillette and Harry are the only two names going up. I don't want to upset anything, see?

MR. LUXFORD: All right. I think Gillette personally is a much better man on the refugee issue than on the domestic issue.

H.M.JR: I agree, but I often can't go into long explanations, but you will have to take my word for it. I am often wrong, but it is a very complicated piece of business. I mean the things you have to go through to get something done are just unbelievable.

MR. LUXFORD: That is all I have.

H.M.JR: And I can not always explain. Joe?

MR. DUBOIS: Nothing else. I hope to have a little time to talk about this book before next Friday.

H.M.JR: You will. I do not know how busy you people are. Well, Monday we work, don't we? I may bother you

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tomorrow. How do you feel?

MR. PEHLE: Very well. I was already having breakfast down there when I got the call.

H.M.JR: Three biscuits?

MR. PEHLE: No biscuits--some coffee.

MR. WHITE: While everybody's here, I met Silvermaster--had lunch with him, and I asked him how things were going there, and he said there has been a splendid change. It is amazing what Pehle has accomplished.

H.M.JR: Do you feel you still need your personal spy there now that Pehle is there?

MR. WHITE: No, I do not think you have to put him in. You had in mind the man I was going to put in?

MRS. KLOTZ: That's right.

H.M.JR: I am talking about Silvermaster.

MR. PEHLE: Silvermaster is doing a very good job and has been sworn in, Mr. Secretary.

H.M.JR: He has been found kosher?

MR. PEHLE: He has been sworn in, period.

MRS. KLOTZ: He has really been--Mr. Gaston has really been marvelous.

H.M.JR: Take a bow, Mr. Gaston.

MR. GASTON: I told Mack if Civil Service was going to insist on rehashing stuff our committee passed on, I was going to write and say I wanted nothing more to do with the committee. We were either going to pass on loyalty questions, but we weren't going to mess over them after we had handled them.

H.M.JR: Somebody ought to talk to Mack. He is

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constantly getting himself in dutch in Washington at the Cabinet level. Somebody ought to talk to him. How's the boiler?

MR. PEHLE: Still cold.

H.M.JR: Let me ask you this: Do you think it is a mistake for us to do this? It is bothering me.

MRS. KLOTZ: You had another idea, didn't you?

MR. PEHLE: The other idea didn't change very much. I think it would be a mistake to sell them anything directly. That is clear. To sell through a dealer or manufacturer at a price makes sense; that doesn't particularly bother me.

H.M.JR: It doesn't?

MR. PEHLE: If the price is all right--there are no priorities, and as long as the price is right, I am not troubled by it.

H.M.JR: You are not? Well, if you are not troubled, then I am not. Now, if you want any additional information, my suggestion is--the superintendent's name is Plough. I think it is spelled P-l-o-u-g-h. I suggest that you call him on the phone.

MR. PEHLE: That would simplify matters.

H.M.JR: P-l-o-u-g-h. He is the superintendent.

MRS. KLOTZ: Does Plough know about the boiler?

H.M.JR: He knows all about it; the President called him himself; and the President said the trouble is, people want too much. He said, "I want to get things cheap. They want to charge me five hundred dollars for a boiler."

MR. HAAS: So do we. (Laughter)

MR. PEHLE: That is what I meant.

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H.M.JR: Don't do anything unless you are completely satisfied.

MRS. KLOTZ: He would be, but the President wouldn't.

H.M.JR: That is all right. You call up Plough. It would be under Poughkeepsie, I think.

MR. PEHLE: There are a couple of other things I might mention.

H.M.JR: Please.

MR. PEHLE: I got a letter from Abe Fortas on the procurement of supplies in Puerto Rico. They have been over to see Olrich and Mack several times to get some of our cutting and trimming of garments work done in Puerto Rico, and they felt they had been kicked around. I have gone into it, and it looks now like we can give them work covering four million yards of material unless something goes wrong in Puerto Rico which is sufficient to keep the unemployed garment workers down there busy for a couple of months and change the employment situation down there. It is just terrible, and is getting worse. And I thought anything we could throw in that direction you would certainly want to do.

H.M.JR: Oh, yes.

MR. PEHLE: So I am moving ahead on that.

H.M.JR: Just to digress a little, up at Quebec in the discussion on India between the President and Churchill, Churchill said, "After all, Mr. President"--or Mr. Roosevelt, or whatever he calls him--"you had such a wonderful demonstration of what you can do with colonies in Puerto Rico that you are fully qualified to tell me what to do in India."
(Laughter)

MR. BELL: At home?

H.M.JR: "You are fully qualified to tell me what to do."

What else?

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MR. PEHLE: I thought you might like to know that the Army is withdrawing from Surplus an awful lot of stuff that they have declared to us.

H.M.JR: You told me that. I saw it in this morning's Times.

MR. PEHLE: The group had eight billion, six hundred and twenty-three million batteries, and they are starting to withdraw all sorts of other things from nuts and bolts-- they could use mattresses. They are just reversing the whole treatment. I suspect the Army and WPB will go in other directions now, but we are having a lot of that happen in the last--

H.M.JR: In one way it is good; it gives us a breathing spell.

MR. PEHLE: So does the adverse war; it is going to slack off on surplus, I should think, for a while. The net effect in the end would be much larger surpluses, because I have a feeling that from now on they are just going to pile up multitudinous reserves of everything.

MR. WHITE: You don't think they are going to ship it abroad--they will have to dispose of all of it abroad?

MR. PEHLE: Under the latest plan, nobody knows.

H.M.JR: What else, John?

MR. PEHLE: That is all I have.

H.M.JR: May I make this suggestion, that you go home after lunch and lie down. I know what it is, you don't think it does anything, and you don't feel it, but you would be surprised. Just take a suggestion from the old man and go home.

MR. PEHLE: I am glad to have the excuse. (Laughter)

MRS. KLOTZ: Mr. McDonald asked if Mr. Pehle donated blood today.

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MR. McDONALD: We want to show another good example, Mr. Secretary.

H.M.JR: You have one there I was going to ask you about.

MR. PEHLE: That is all I have.

H.M.JR: George?

MR. HAAS: I have a couple of things.

H.M.JR: Incidentally, George, contrary to Mr. Bell I am going to ask you boys--and you had better be ready--about how this short term rate slipped up on us.

MR. HAAS: You mean those items that Sylvia Porter wrote? (Hands Secretary "Reporting on Governments" of December 26, 1944.)

H.M.JR: I will take that home. (Hands "Reporting on Governments" to Mrs. Klotz.)

Bell asked me to bring that up.

MR. HAAS: That is a good story. We are all right.

H.M.JR: I will give you a chance--

MR. HAAS: We are all right.

H.M.JR: What else?

MR. HAAS: Sylvia Porter discusses that.

H.M.JR: She has a pipe-line.

MRS. KLOTZ: A pipe-line! (Laughter)

H.M.JR: What is it, a sewer?

MR. WHITE: That's the main line; it has branches.

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MR. HAAS: I have never seen her myself. Whoever gave her that did a good job.

MR. BELL: This is a good letter.

MR. BLOUGH: I suppose you saw the unfortunate tax stories this week, one in the Herald Tribune, a hot weather story written in September, but unfortunate just the same; and the other was George's statement, which is bad, but we talked around here and decided the best thing to do is keep very quiet about it.

MR. GASTON: He is out with another one.

MR. BLOUGH: Again today?

MR. O'CONNELL: On foreign policy?

MR. GASTON: On taxes, saying that the reversal in France now--

MR. BELL: That is Doughton.

MR. GASTON: George has given the lead on it. I guess it is on the ticker, too. With the reverses in France, any immediate reduction we could have had otherwise is out of the question now.

MR. BLOUGH: That is probably Doughton answering George.

MR. O'CONNELL: On Wednesday George said, "Assuming we can see a tentative end of the war in February or March, we can look forward to a ten percent horizontal reduction in corporation taxes this year." Doughton must have talked to him, because--

H.M.JR: By the way, this Macy deal on their particular pension plan--I wish you would give me a little note as to whether it is good or bad. Give me an example of good types or bad types--what the Treasury thinks is a good type.

MR. BLOUGH: That, I think--

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MR. WHITE: I would like to talk with Herbert. I would like to use a lot of copies of that article, and I don't know whether it would be better to print them ourselves or get reprints, but I will talk that over. The rest can wait until I--

H.M.JR: Do you have something else?

MR. WHITE: No.

H.M.JR: I have Gamble and his staff coming in at eleven.

This thing I spoke to you about last night--

MR. WHITE: It is ready.

H.M.JR: Will it be in by two?

MR. WHITE: Yes. It is ready now; it is all set.

MRS. KLOTZ: Everybody is notified about the time?

H.M.JR: I set the time.

MRS. KLOTZ: Nobody knows it.

H.M.JR: They don't listen. I set it for nine-thirty--Bretton Woods.

MR. LUXFORD: Is that on the bankers, Mr. Secretary?

H.M.JR: Yes.

MRS. KLOTZ: The day, but not the time.

H.M.JR: Then we will start at nine-thirty.

MR. WHITE: The only question remaining is whether you want anyone to replace Eccles.

H.M.JR: Yes. Let them be represented.

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MRS. KLOTZ: Goldenweiser and Szymczak.

H.M.JR: I don't know--who would you like?

MR. WHITE: Ransom is next in charge, but Ransom doesn't--

H.M.JR: That is good.

MR. WHITE: ...follow it very much. Szymczak is more enthusiastic about it. They say he is supposed to take up all--

H.M.JR: Let's put it up to the Acting Governor. There is a difficulty there; you are only going to have another fellow sitting here pacifically agreeing. I went through all this. Ransom is very sensitive.

MRS. KLOTZ: I spoke to him yesterday, and he said he didn't know anything about it. They connected me with Elliott Thurston, and he didn't know anything about it either.

H.M.JR: Mr. Daniel Bell might contact Federal Reserve. I am having a meeting, of which you have been advised, on the fourth on this question. The people coming down are Burgess, Potter and Ransom.

Now, we would like Mr. Eccles to come; if he can't come, who would they like to send? You can't send more than two people.

MR. BELL: Eccles will not be in town January 9.

H.M.JR: Am I right about Ransom being very sensitive about these things?

MR. BELL: Yes, he is acting in place of Eccles, and should be consulted. He probably won't want to come.

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MRS. KLOTZ: You ought to see the telegram Eccles sent.

MR. WHITE: When you see Mr. Hoffman, I would like to see him about five minutes so I will know about what they are doing. Incidentally, Danny, has everybody received notice about this meeting?

MRS. KLOTZ: Everybody knows now; the only person I can't communicate with is Ned Brown. I don't know where he is, but I will get word to him.

MR. BELL: Some of them said they hadn't received definite word.

H.M.JR: You come in at two-fifty-five on January 3. I will put you down, and you can stay. Are you all right on this?

MRS. KLOTZ: I think so, I am sorry.

MR. BELL: The total E bonds last night, before yesterday, were sixty-five million beyond. That puts us up to two billion four hundred and fifty million. We have forty-eight million yet to go before we go over the top, but we will get that today, and probably a good deal more than that.

The total is probably not as impressive to you, twenty billion, eight hundred and fifty-five. Remember, he gave you twenty billion eight hundred and six the night before. The total should have been twenty-seven fifty. We are going close to the twenty-one billion mark, but not over.

You asked for the refundings in the last month or so. I have given them to you since August 1, certificates and notes.

H.M.JR: You made that.

MR. D.W.BELL: The income taxes are coming in very

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well, three billion four hundred and seventy-two million up to date, against an estimate of three billion, two hundred eight million for the month. We are going to be about three hundred million dollars over.

H.M.JR: The President reads that, Dan. I noticed he comments on it once in a while in Cabinet.

Anything else?

MR. BELL: That is all.

MR. McDONALD: I have one item that might be of general interest. An Act was approved December 21 which would provide for payment of compensation for accrued or accumulated annual leave to employees who are being separated from the service, or employees' beneficiaries or estates in case of death. The latter is very important to people in low salary brackets and who leave their families without any income whatsoever. Heretofore they have never been paid for their accrued annual leave.

MR. WHITE: It has been very unfair. I was very glad to see that done.

MR. D. W. BELL: That would have meant twenty-five hundred dollars to Norman Thompson's family.

H.M.JR: What I would like to get from you is this. I would like to have one sheet of letterhead size paper that could be mimeographed on both sides and put in with the checks of the Treasury employees which would be in the form of a little news letter that we could send them twice a month, you see, something like that explaining it to them, so that they will know what it means, and in it mentioning different things that happen.

Let us see, we were talking the other day about meritorious promotions. Assign somebody to it, and confine it to only one sheet mimeographed on both sides which would go out, and I would like very much to see it. You might get up a dummy and show it to me.

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MR. McDONALD: We have done some talking about such a letter, but it hasn't been presented to you, yet, sir.

H.M.JR: Confine it to one sheet.

MR. WHITE: Why confine it to things like that? Why might that not be expanded a little and take in things the Treasury has done so people can take pride in their organization, things which may or may not bear on them.

H.M.JR: If anybody has any suggestion, give it to Mr. McDonald.

MR. BLOUGH: Several bureaus in the Treasury have their house organs.

MR. D.W. BELL: You have one in the Chicago office, and one in the Treasurer's Office. They are nice news letters issued once a month.

H.M.JR: I would like to have one come out of the Office of the Secretary of the Treasury. Mark it "Office of the Secretary of the Treasury."

MR. McDONALD: We will work with Charlie Shaeffer and Mr. Gaston.

H.M.JR: That is right. I think I am seeing you all for lunch.

MR. GASTON: Yes, sir.

H.M.JR: Good, downstairs in my own dining room.

MR. WHITE: Some of these things might be cleared either today or Monday.

H.M.JR: I would like Mr. Bell and Mr. Gaston to stay.

December 30, 1944
11:05 a.m.

WAR FINANCE

Present: Mr. D. W. Bell
Mr. Gaston
Mr. Gamble
Mr. Houghteling
Mr. Engelsman
Mr. Lane
Mr. Coyne
Mr. Adams
Mr. Predmore
Mr. Shugrue
Mr. Little
Miss Blake
Mrs. Klotz

H.M.JR: May I tell you people of War Bonds how delighted I am at the success of the Sixth War Loan? I only have praise, and no criticism. It has been an amazing performance, and you all ought to feel inward satisfaction for having been a part of that machine, and I would like to take this opportunity to say thank you to one and all of you. It has been a magnificent performance, and I am simply delighted.

I have one idea which I would like you people to think about. It is only an idea; I haven't mentioned it to anybody outside because I didn't want to do anything about it until I threw it at you and saw what you people thought about it.

There is so much talk about the trouble that they are having with production, and we have this very fine volunteer organization, and our next drive will be some time around the beginning of June. I just wondered whether this War Bond volunteer organization might not help the War and Navy Departments in certain places. They are always very generous in helping us, and I

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wondered whether we might not turn in January and say to Mr. Patterson, "Now, look, if you are having any particular trouble in any area through January, February and March we are available, and we would like to pitch in and help you." I would like you people to think about it, and possibly talk about it today yet with Mr. Gamble before he goes, and next week with Mr. Coyne. But we are always calling on them, and I was thinking whether possibly we might not pitch in and help them on some of their morale problems. I wanted to get at you before--

MR. GAMBLE: We not only have the people, but the facilities to do it. Among other things, we have motion pictures, all of the devices that you would want.

H.M.JR: Now of all times would be the time when we could help labor relations, the thousand and one things we have developed through trial and error. So, will you think about it, and then if you think we might have it, you might appoint a little committee to meet with me next week early.

MR. GAMBLE: I would like it. The reason I would like it is, we have now--we took over from the Air Force the Gable film, and we have an exclusive on it for the month of January, and we are now throughout the country having bond premiers and plant showings in connection with the new Clark Gable film.

MR. GASTON: You have it here?

MR. GAMBLE: Yes, we have it.

H.M.JR: If we want to do it, I think I would like the Secretary of War and the Secretary of Navy to write me and specify the place where we can be helpful on a concentration basis. I wouldn't like to ask them to do it all over, you see.

Take Akron, one of the worst spots and say, "Look, won't you go in and help us in Akron?"

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MR. GAMBLE: We can subordinate ourselves to any problem they have in respect to leadership, etc.

H.M.JR: And it will keep you people from getting rusty.

MR. BELL: Does this involve your leaders, Ted?

MR. GAMBLE: Yes, it would, but they would be delighted to do it.

MR. BELL: The trouble is, in every community you have the top people as leaders in all drives, War Bonds, Red Cross, Community Chest, and you have them working now about twelve months a year.

MR. GAMBLE: On a specialized basis. If somebody gave us twelve spots to handle, we could do it with ease.

MR. BELL: The Red Cross Drive is in March, and the UNRA campaign is in April. These fellows are going to be in on that.

MR. ENGELSMAN: Akron, as the Secretary mentioned, is one of the best spots on labor management cooperation, and we have a good organization there. Mr. Houghteling has a good organization there, and I think we could do a lot to help in that spot.

H.M.JR: That is one of the places where there have been real shortages.

MR. GAMBLE: We worked out of Akron two years ago, had a rubber industry campaign, and that worked so well we took the CIO man out of there, and we have had him with us ever since. He did a magnificent piece of work.

H.M.JR: I thought about this a lot. There are a lot of good angles about it, and we are always asking them to help us. If we can go and say, "We would be glad to help you," it would give a certain amount of credit to the War Bond organization. They could say that in this very difficult time they pitched in and helped on the production problem. Well, anyway, I am throwing it at you. When does your train leave?

MR. GAMBLE: Not until tonight. (Laughter)

H.M.JR: You have a lot of time that you have nothing to do with. But you can talk about it, and designate a committee to call on them, will you?

MR. GAMBLE: Yes.

H.M.JR: That is all I have. The floor is yours.

MR. GAMBLE: I thought if you have the time we might ask one or two of the people to tell you what is in the hopper now. We have started work on programs to be carried out between now and the Seventh War Loan.

H.M.JR: What I would rather do is, I would rather get that next week, because I will have more time then. Next week this same group can come over. I would be very glad, but I am a little bit behind today, and if it is just the same to you--

MR. GAMBLE: It is just as agreeable. Mr. Coyne can show you the statement we had prepared to go out on Monday and also to show you the final report on the broadcast you haven't seen.

H.M.JR: Fine. Dan and I discussed the date, and set it tentatively.

Now, do you want to do it with these people?

MR. GAMBLE: I would just as soon do it today. We had this meeting with Mr. Bell, as you perhaps know, and we have pinned it down to a date sometime between the 10th of May and the 10th of June as a starting date for the Seventh War Loan. Now, we don't need to have any more information than that at the moment. That is enough to make the June magazines, and that is good enough to tell these publishers to go ahead.

The reason we would like not to pin it down is that some chairmen were talking about starting the Drive late in May so they could use the schools. We don't want to select a date. We would like to let the chairmen within that month pick their own dates.

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We would like to start the Drive any time between May 10 and June 10, and let them decide on the starting date, bring them in on the 10th of February.

H.M.JR: We do what?

MR. GAMBLE: Bring them in around the tenth of the month--10th of February.

H.M.JR: Is that all right with you?

MR. BELL: It is all right with me. The tentative figures we have gotten up went to June with three billion three hundred million dollars. That doesn't include any bank financing or any Treasury bill programs. If you have the Treasury bill program, that would be increased, of course, but if you don't have the Treasury bill program and go into June with three billion dollars, you pretty well use that money up before the 20th of June, so we would have to have some additional money if you want to put the payment date late in June, if you start it as late as the 10th of June. I don't think we could possibly get by in spite of the Federal Reserve without some Treasury bill program, because our balance certainly ought to be higher than three billion three.

H.M.JR: All they want to know, these magazine publishers, is if we would like to have something on the June cover.

MR. GAMBLE: That is all we need until February 10. We will let the Chairmen decide between the May 10 or June 10 starting date, and we will go into that more thoroughly--

H.M.JR: I would like to be in on that a little bit more. For today, is that enough? In the meantime, don't talk about our balances. It gives other people an indication of how much money they are going to spend on the war, and gives the market a tipoff on buying and selling. Be careful when outsiders are here not to talk about our balances, because people could use them for purposes which would be unfriendly.

MR. GAMBLE: You have a lot of quarterbacks outside of the Treasury, too.

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H.M.JR: Of course, I am just cushioning it, too.
What else, Mr. Gamble?

MR. GAMBLE: The other matter we wanted to discuss with you involves yourself and the President and the newsreel we want to--

H.M.JR: Who do you want to stay behind?

MR. GAMBLE: Engelsman, Coyne, Little and Lane.

H.M.JR: All right, those who are leaving, Happy New Year to you.

(Miss Blake, Mr. Houghteling, Mr. Adams, Mr. Predmore and Mr. Shugrue leave the conference)

H.M.JR: All right.

MR. GAMBLE: The first matter, Mr. Secretary, is, we are planning a big plant operation in the month of February on our Payroll Savings. We had talked originally about the possibility of having a Disney film and tying in this operation on organized labor matters of the United States. We can't get this film; time doesn't permit. It takes about four months to get it. There is a technicolor shortage. We have sold the newsreel companies the idea of making some for us themselves, the thought being we would start with the President and have a minute speech from the President and a minute speech by you, and take some leading manufacturers, and Murray and Green, and do this job with newsreel technique, and support that film in the plants by showing some actual war films we have available. We would like you to deliver yourself and the President to us. We are ready to start any time.

H.M.JR: The President is easy.

MR. GASTON: Add Mrs. Roosevelt. Have a conversation between the President and Mrs. Roosevelt.

H.M.JR: In their cottage on the Hill?

- 7 -

MR. GASTON: Yes.

MR. GAMBLE: This is more than just asking people to buy war bonds. We want to write everybody's speech; we want to know what each person is going to talk about so we can do a selling job with eight or nine agencies--news people. We want to sell people the idea of holding their bonds, what it means in the future.

H.M.JR: Mr. Gaston, I will give you that to handle with Steve Early.

MR. GAMBLE: We would be delighted to do it.

MR. ENGELSMAN: This would be the opening, and would take only one minute. We hope to keep the Payroll Plan moving as it is and sell them the idea of keeping their bonds, as well as buying more bonds.

H.M.JR: The great trouble in asking the President is to get an answer promptly. That is what you want, isn't it?

MR. GAMBLE: That is right. But this will be done by the crew that normally handles it. In other words, newsreel editors will come in.

H.M.JR: This goes to the factories?

MR. GAMBLE: To twenty-five million workers. It is a pretty fine thing for the President to do.

MR. ENGELSMAN: It ties in with what you had in mind.

H.M.JR: I am for it; it is just the terrific chore of getting around all the people to see him--they might say no.

You won't be here?

MR. GAMBLE: No, if you would like me to start it, I would start it today with Early.

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MR. BELL: I should think he would like it. Twenty-five million laborers--

H.M.JR: We will make up the speeches. Herbert will have to take on some of that. If you are going to start it, you had better work with Herbert today so he will know.

MR. GAMBLE: I will have a conversation with Early and tell him I am leaving town and that you will check with him and I will give you a report of the conversation.

MR. GASTON: That will be fine.

MR. GAMBLE: And you will be available any time within the next couple of weeks?

H.M.JR: Yes.

MR. GAMBLE: I suggest the talks. Then have the commentators and the best scenes of the war, and really do a job of it.

H.M.JR: Find out who did one of Henry Wallace.

MR. GAMBLE: Paramount.

H.M.JR: Wasn't that good? Who directed that? Find out who did that. That is the best job I have ever seen. If you could get that man to do it, you will have success.

MR. GAMBLE: We can't; we have already tried. We asked the newsreels to take full responsibility for it. You see, there is a little rivalry, Mr. Secretary. Wallace did this thing, in effect, in the studio, and they took weeks to shoot it. It was not done with newsreels; Wallace rehearsed it. They gave him his lines, and they would make it over and over. You have seen Wallace work with script and work without it. He had to give up three months of his job up there in order to make that reel. That is the truth. (Laughter) The reason I knew about this, you asked me about it once before. You and I saw it together. You asked me to check, and

this fellow went into production on it.

H.M.JR: The result was good.

MR. GAMBLE: Beautiful. They would give him ten lines at a time and he would do these lines, and they would have to shoot it over, and they worked and worked and worked. (Laughter)

H.M.JR: Where is the one I did in the studio, Twentieth Century Fox? Find out, will you, somebody? Does that come under you?

MR. LANE: No, but I will ask.

H.M.JR: I would like to see it sometime.

MR. GAMBLE: That is one thing--the statement you made we would undoubtedly want to do over, but it is just a suggestion. We will get the final figures the first of the week.

MR. LITTLE: That is just a brief statement.

H.M.JR: (Reads suggested press release) I don't like it already.

MR. LITTLE: I didn't think you would like that part.

H.M.JR: Give a copy to Mr. Gaston. When is this going out?

MR. GAMBLE: Not until you get the final figures, next Tuesday.

H.M.JR: When do you want a release on this?

MR. LITTLE: Probably about next Wednesday.

H.M.JR: When do you want me to O.K. this? Let Gaston have it, and I will clear it for you Monday, Herbert. I don't want to, frankly, waste my time until Gaston has had a chance to go over it, and I won't

- 10 -

have to do very much.

MR. GASTON: You showed me another one.

MR. GAMBLE: I think we released one. That went with the other figures.

MR. GASTON: All right.

H.M.JR: If Mr. Gaston will see me next year, I'll do it the first thing.

MR. GASTON: Very early next year.

H.M.JR: What else?

MR. GAMBLE: I think it would be fine for everybody to see this, not because it is in connection with what you do, but we have made a survey to find out how good a coverage we got on this last release covering--

MR. LITTLE:..your speech on the sixteenth.

MR. GAMBLE: And we have a record of it here together with front page clippings, and I think you ought to look at it. We get so upset when we see a line in the New York newspapers or Washington newspapers, and the rest of the country doesn't know what they are doing. (Places scrapbook on newspaper coverage of Secretary Morgenthau's broadcast of December 16, 1944 closing Sixth War Loan drive)

MR. LITTLE: (Reading) "An estimate of 113,312 agate lines equivalent to 404 full newspaper columns ran in the 472 Sunday papers in the country December 17, 1944."

H.M.JR: This was on the broadcast.

MR. LITTLE: (Reading) "Front pages. This story hit page 1 in 275 papers on December 17--approximately 60 percent of all Sunday newspapers. Wire service releases. AP, UP and INS. AP wires released 700 words."

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Here are just a few of the front pages, The New York Times, The Wall Street Journal, Times Herald, The Sunday Star, Poughkeepsie New Yorker--

H.M.JR: According to Gamble, we have a good organization down in Poughkeepsie.

MR. LITTLE: We only get a few papers over there. These are all front pages.

H.M.JR: Any West Coast paper?

MR. LITTLE: I don't know.

MR. GASTON: We had Oklahoma anyway.

MR. LITTLE: "The Secretary's message to the people was commented upon editorially in the: New York Herald Tribune, New York Times, Boston Post, Washington, D. C. Star." There were quite a few editorials.

MR. GAMBLE: Did you ever see this Boston editorial? There's the Boston Editorial (indicating).

H.M.JR: What did they do?

MR. LANE: The Herald Tribune--

MR. LITTLE: These are just some of the clippings from the OWI project.

H.M.JR: Did that editorial setup in the Tribune do much? You don't know how much they picked it up?

MR. LITTLE: Every newspaper in America got it.

H.M.JR: O.K., very good.

MR. GAMBLE: When you see how thoroughly one of those jobs can be handled, it certainly discounts one of these little slips we have once in a while. For example, we get all upset about Sylvia Porter's comments, or Vanderpoel's,

- 12 -

bearing on what we do, all of us. Our program is taken for a ride by what one or two columnists say. Actually, we just don't know the amount of support the country gave this whole operation. It dwarfs any one of these things. Maybe you and I overestimated it (to Mr. Bell).

MR. GASTON: Maybe you upset something, Ted.

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

MR. GAMBLE: Remember when you got Sylvia Porter's column about a week ago? You said, "If this is supposed to be helping our program--"

H.M.JR: Did I get upset?

MRS. KLOTZ: You ought to know better than that.

H.M.JR: The last time I was upset was up in New York when I opened the Drive.

MR. GAMBLE: I meant that it is good once in a while to check and see how the country is treating this program as a whole. I think periodically we ought to check papers throughout the country and check them even though it costs a little money.

MR. LITTLE: We can't get them all, but we can get a cross-section.

H.M.JR: I didn't think we got a very good distribution on my appearance there before the Newspaper Guild. They didn't print the story about my dancing with the President of the Guild, did they? I was very much disappointed.

MR. LITTLE: They took the picture, though. We ought to at least have a copy of the picture.

MRS. KLOTZ: Yes, we ought to have a copy of the picture.

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MR. LITTLE: But they haven't delivered it.

MR. LANE: Is the Secretary a good dancer?

MR. LITTLE: Very good.

MR. GAMBLE: I have never seen the Secretary dance.

H.M.JR: What do you expect George to say? Ask him outside. (Laughter)

MR. GAMBLE: We thought we would make plans now for bringing the chairmen in here about the tenth of February.

H.M.JR: I would like to be here. I would certainly like to be here. Everything is fine, as I said earlier, and I might see you at lunch.

MR. GAMBLE: Yes.

H.M.JR: Lunch is in my own dining room.

No, I have nothing, and by the way, Coyne, somebody got it into the President's mind that Georgia isn't going to make the quota. If they do, for God's sake, tell me.

MR. COYNE: They will make their quota in E Bonds and their overall quota.

H.M.JR: He has Georgia on his mind, and I want to clear that up, because he gets excited! But I told him last night that we emphasized the E Bonds, that we made more than in the Fifth.

I think if that story--if I know how it is written--I think we ought to emphasize the fact that we went over the Fifth. We asked for less. I tell you what I would like to see mathematically, just as a matter of interest, the percentage of how much we went over in each of the six drives from what we asked, just percentagewise, how much did we go over percentagewise. I have never seen those figures.

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MR. GAMBLE: Georgia is one hundred and fifteen percent of her quota now.

H.M.JR: I am suggesting the possibility of putting in each of the six drives, how much percentagewise we got over what we asked for.

MR. GAMBLE: We put that in this story.

H.M.JR: That is what I was suggesting.

MR. GAMBLE: And we already have the answer to solving the reporting problem in the Seventh War Loan. It is a great task, mechanical task. We are going to supply every paper in the country with a graph every day showing where we ought to be and where we are.

H.M.JR: You know the story of what we have done through advertising, so don't wait until the beginning--

MR. GAMBLE: No, we are not going to wait until the beginning. We have a plan for something in March now.

H.M.JR: Well, gentlemen, you have the satisfaction of a job well done.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 30,
1944

TO: Secretary Morgenthau

FROM: Mr. Ted R. Gamble *JRG*

Broadcasting Magazine would like to reproduce a signed statement from you concerning the radio broadcasting industry's contribution to the War Finance Program, and an indication for the need for future support. It is also intended that this statement should be photostated so that it may be distributed to all members of the National Association of Broadcasters.

The attached statement is a suggestion to be signed by you if, in your judgment, it appears to be appropriate.

*I am willing to make
a statement, but this
one is only fair.
RMJ*

To the Broadcasting Industry of America;

Since the inception of the War Finance Program, radio broadcasting has played a vital role in making this program successful. The Sixth War Loan Drive just terminated is the latest example of an accomplishment in mass sales that reflects great credit on the members of your industry in that it marks a fine patriotic contribution and a high professional achievement.

The ability to influence thought and action carries with it a great responsibility. The radio industry by its proven accomplishments has an equity that can be guarded only by the maintenance of the high standards that have been set.

Succeeding War Loan Drives will present new difficulties and problems. Swiftly moving world events may sternly test our ability to keep pace on the home front. It is indeed comforting to know that your industry will be ready to meet the new challenges with the confidence born of demonstrated capacity and readiness to serve.

RWC:ebn

DEC 30 1944

Dear Eleanor:

I have your note of December 19, 1944, with which was attached a communication addressed to you from Mrs. Frances L. Richmond of San Francisco commenting on rumors concerning the possible freezing of War Bonds and also stating that some workers apparently were not obtaining delivery of their bonds on time.

Concerning the rumor of the freezing of War Bonds, I do not feel that I should ask you to refute it because sometimes the mention of such rumors gives added currency to them. The Treasury has issued a statement, which is available in all field offices of the War Finance Division, for appropriate use. I am enclosing a copy of this statement.

I have asked our San Francisco office to investigate whether there are any unnecessary delays in the delivery of War Bonds in that area.

Thank you for your interest. We are watching all rumors closely, and I will call upon you when it seems to me desirable to have you include a constructive statement in your daily column. I am returning the letter in question herewith.

Sincerely yours,

(Signed) Henry

Mrs. Franklin D. Roosevelt,
The White House,
Washington, D. C.

Enclosures.

STATEMENT OF UNDER SECRETARY OF THE TREASURY REGARDING
RUMORS CIRCULATED CONCERNING THE "FREEZING OF WAR BONDS."

"War Savings Bonds, by their express terms, are payable on specified dates and are redeemable before such dates, at the option of the owners, at fixed redemption values, and there is no doubt that the promise of the United States in such respect will be kept. I might add that in all the one hundred and fifty-five years of the Nation's existence, and despite the vicissitudes through which the country has passed during that time, the United States never has defaulted in the payment of its obligations when due. The Congress under the Constitution has ample power to make provision for meeting obligations in the future.

"The obligation of the United States to pay before maturity, at the option of the owners, in accordance with the terms of the bonds, is quite as binding as its obligation to pay at maturity. I do not understand how any loyal person could question the promise of the United States in such respect.

"Several correspondents have written the Department in the same connection and the only possible basis, so far as can be ascertained, is the reservation in the offering circular that a reasonable notice in case of presentation of bonds of Series E for redemption prior to maturity may be required by regulation. No regulation in such respect has been made, and if one is made in the future you may be sure that it will only require reasonable notice. One month's notice, in writing, is now required, of course, for redemption of Series F and G bonds and this has been the case from the time of their first issuance."

THE WHITE HOUSE
WASHINGTON

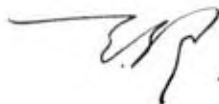
Santha
208

December 19, 1944

Dear Henry:

I am sending you this letter for investigation.
I can write facts if you think it wise.

Affectionately,



*Rec'd by 2. office
12/20/44*

Box 3616
Pine Avenue
San Francisco, California

12 December 1944

Mrs Eleanor Roosevelt

The White House

Washington, D. C.

Dear Mrs. Roosevelt:

Would you please say a word in your column about War Bonds?

Recently while at the same table in one of San Francisco's nice restaurants I heard discussion among some men War Workers to the effect that they are reluctant to invest in War Bonds, because Bonds are likely to be frozen by the Government after the War.

On attempting to learn from ^{what} source it originated or why they should believe this to be the case, I did not definitely learn. But, I did learn that these men work hard all week, then lose their weekly earnings on Horse Betting at Bookie Shops. It could be possible these people engaged in the Bookie business spread such propaganda, or that it's origination might be from newspapers who are not backers of the Government.

This, it seems to me is not good propaganda at such a critical time, and as San Francisco is crowded with War Workers it might assert a telling influence on others in their investment of War Bonds. Yet, I believe these men themselves making such an assertion are innocent of any deliberate intention of blocking the War Effort. They seem to be conscientious and hard workers, but as I stated, what good did their working and earnings do them to throw it away in gambling on Horses with the Bookies, where they could soundly make an investment in War Bonds and have something to show for their work, or to rely upon in time of need. Unfortunate to say, many of the Army service men on the West Coast are also parting with their earnings on Horse Betting.

There has been some semblance of an effort to rid San Francisco of the Bookies in the past. This has not been accomplished, and it seems they continue to flourish. These War working men seem to be good men at heart who have been wrongly guided regarding War Bonds. Then to, one or two of them it seems had invested in Bonds, and still, after two years and the Bonds were fully paid up they have not received them, I understand. So, they become discouraged, no doubt, and felt there was no need of investing in something they would not receive anyway.

In the past I had received my Bonds promptly, usually two weeks or 30 days from the date they were paid.

With all Good Wishes to the President and yourself.

Frances L. Richmond
Mrs. Frances L. Richmond.

BOSTON SYMPHONY ORCHESTRA
SERGE KOUSSEVITZKY, CONDUCTOR
G. E. JUDD, MANAGER
C. W. SPALDING, ASSISTANT MANAGER
SYMPHONY HALL, BOSTON 15, MASSACHUSETTS

December 30, 1944

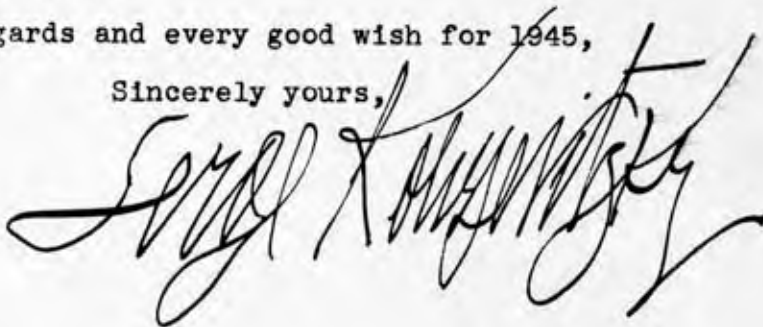
Dear Mr. Morgenthau:

This is just a line to thank you for your kind letter
of December 20, ^(Book 204, p. 110) and to say that it was a great pleasure for
the Boston Symphony Orchestra and for me to participate in
the Massachusetts Sixth War loan Drive.

Indeed, the result of the concert is most gratifying
to all of us and we are happy to have thus contributed to
the success of the Drive.

With kind regards and every good wish for 1945,

Sincerely yours,



Mr. H. Morgenthau, Jr.
The Secretary of the Treasury
Washington, D.C.

**AMERICAN RED CROSS****DISTRICT OF COLUMBIA CHAPTER**1730 E STREET, N. W.
WASHINGTON 6, D. C.

December 30, 1944.

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

Dear Mr. Secretary:

Your inspiring leadership in the recent drive for more blood donors has played no small part in the remarkable increase in appointments at the Blood Donor Center.

We want you to know that we deeply appreciate your help.

With sincerest thanks

Robert H. Davidson, Chairman
American Red Cross
Department of Public Relations

DEC 30 1944

Memorandum to the President:

Enclosed herewith is a letter from Nigel D. Campbell, to whom you recently gave an interim appointment as Collector of Internal Revenue at Chicago, succeeding Carter Harrison.

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Enclosure
HEG/mah

DEC 30 1944

Dear Mr. Campbell:

I thank you for your letter of December 26.

In view of your excellent record as Assistant Collector it was a pleasure to me to recommend to the President your appointment as Collector.

I have the greatest confidence that you will continue to give the same able and conscientious service to the Government in your new office.

The letter to the President which you enclosed has been sent to him.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Nigel D. Campbell
Collector of Internal Revenue
Chicago 4, Illinois

HEG/mah



OFFICE OF THE COLLECTOR
FIRST DISTRICT OF ILLINOIS

IN REPLYING REFER TO

TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

CHICAGO, ILL. 4

December 26, 1944

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

Dear Mr. Secretary:

I have just received word from your office of my appointment as Collector of Internal Revenue to succeed the Honorable Carter H. Harrison.

I want to thank you for your concurrence in this appointment. I also want to assure you that I will do everything within my power to conduct the office on such a basis that it will be a credit to the Treasury Department.

I am enclosing a letter addressed to the President which I would appreciate your passing on to him.



Enclosure

Respectfully,

Nigel D. Campbell
Nigel D. Campbell.



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TREASURY DEPARTMENT

WASHINGTON

DEC 30 1944

To: Secretary Morgenthau

From: J. W. Pehle

The following is a summary of significant developments in the Surplus Property and Procurement offices for the week ending December 23, 1944:

Surplus Property:

In the past, all out-dated photographic film declared surplus by the armed forces has been sold to Eastman Kodak and Ansco for salvage, pursuant to contracts which terminate on December 31. To date several carloads of film have been disposed of on this basis. In considering whether to renew these contracts, it was ascertained that, although this film is deemed inadequate for military use, much of it is considered suitable for civilian use. It was also ascertained that there is a great civilian demand for photographic film. Consequently, we are now trying to develop a program whereby surplus film will be tested and such of it as may be found suitable for civilian use will be made available to the public through regular trade channels, the remainder only to be sold for salvage.

There had been declared surplus some 29,000,000 Carlisle surgical dressings for which we had only received a bid of \$52,000. There was some delay in the acceptance of the bid, and the bidder raised his bid to \$101,000. In view of the discrepancy in the bids, it has been decided to offer this merchandise through the Surplus Reporter. These dressings are unsuited for surgical use, but can be used for making paper, roofing or insulation material, or for furniture stuffing or wiping rags.

- 2 -

Up to the present, we have carried our surplus property inventory on an "appraised value" basis. Because of the difficulties inherent in any general appraisal system, this procedure has not proved satisfactory. Consequently, beginning December 29, we will carry our inventory on a "reported cost" basis, which will result in property being inventoried on our books at the same figures at which they were carried on the books of the owning agency. This will conform Treasury practice to the practice of other disposal agencies.

We are cooperating with other Treasury Agencies as well as other Government Departments, in experiments to determine whether it would be worthwhile to attempt to recover the free silver contained in certain "fixing" fluids used in governmental photographic laboratories.

With the issuance of the Surplus Reporter, the sale of all items listed was postponed until the dates of sale announced in the Reporter. Due to this, December sales will lag since none of the items listed will be on sale until January 4. To date, the Surplus Reporter has received favorable comment, and promises to be a satisfactory method of making routine offerings.

Arrangements have been completed with the armed services to permit Treasury inspectors to examine certain war materials intended to be declared as surplus. If such property is found to have no resale value, it will be scrapped by the owning agency instead of being declared surplus. This will avoid the dumping of unsalable items on the Treasury.

As a basis for formulating recommendations to the Surplus Property Board in connection with the exercise of its rule-making power under the Surplus Property Act, a survey is being made of the problems met and the experience gained by the Department in the disposal of surplus property.

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The interdependent responsibilities of the Treasury and the War Food Administration under the Surplus Property Act were the subject of exploration and discussion by representatives of both agencies.

Procurement:

Lend Lease purchases for the week totalled \$30,400,000 (schedule attached), and regular purchases amounted to \$656,430.10. Included among these purchases were 28,000 pilot balloons to be used in French West Africa by the armed forces for meteorological purposes; 6,000,000 pounds of map paper for use by the British in the Pacific and Far Eastern military areas; and \$357,267 worth of electronic vibrators to be shipped to Great Britain.

Lend Lease carloadings for the week totalled 4,403 cars.

Arrangements are under way to release 45,000 tons of chrome to the Metals Reserve Corporation.

Plans are being made for the purchase of 208,000 pounds of nylon flake for the British and 34,155 yards of silk grit gauze for the French under Lend Lease.

A transportation rate survey has been completed for the Sub-Committee on Surplus War Property Disposal of the Senate Small Business Committee. The survey deals with the cost of transporting magnesium ingots, pigs, rods, sheets, shapes and castings between various sections of the country.

Six classifications of industrial items, formerly acquired by the British through Foreign Economic Administration, will now be handled on a cash basis. The contracts pertaining to the items listed on these six classifications will be completed, with the British reimbursing us for all such material loaded on boats after January 1.

- 4 -

Administration:

In order to evaluate the equity of present proration of administrative expenses to the various appropriations, study has been made of the operations of the Purchase Division, Office of Procurement, to determine the actual percentage of time given by its 418 employees to Lend Lease purchases, warehouse stock purchases, purchases for direct delivery, and all other purchases.

Classification surveys are in process and it is hoped that these surveys will tend to alleviate the personnel shortage, which is one of our major administrative problems. Field recruiting might become necessary, particularly for the lower grade positions.

A handwritten signature in black ink, appearing to be 'J. W. F. M. C.', is located in the lower right quadrant of the page.

LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF DECEMBER 23, 1944
 (In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$5851.4 (5851.4)	\$2628.0 (2628.0)	\$2457.3 (2457.3)	\$133.9 (133.9)	\$17.2 (17.2)	\$615.0 (615.0)
Requisitions in Purchase	\$ 170.1 (188.1)	\$ 28.5 (29.4)	\$ 39.0 (51.8)	\$ 2.2 (3.0)	- -	\$100.4 (103.9)
Requisitions not Cleared by W.P.B.	\$ 127.5 (95.4)	\$ 21.6 (22.7)	\$ 56.3 (51.4)	\$ 32.5 (.5)	- -	\$ 17.1 (20.8)
Obligations (Purchases)	\$4435.5 (4405.1)	\$2055.0 (2050.7)	\$1921.1 (1899.3)	\$ 68.4 (68.4)	\$15.6 (15.6)	\$375.4 (371.1)
Deliveries to Foreign Governments at U. S. Ports*	\$2742.1 (2722.7)	\$1558.4 (1549.7)	\$1102.8 (1092.9)	\$ 25.7 (25.4)	- -	\$ 55.2 (54.7)

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of December 16, 1944.

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130/44-

STATEMENT ON THE BRETTON WOODS PROGRAM

The maintenance of peace and prosperity will be much easier in a world in which countries can buy or sell, through mutually profitable trade, the raw materials and the finished goods the world produces and needs. We in the United States can get considerable help toward our goal of sixty million productive jobs if international trade can be expanded above the low levels of the 1930's. I am confident that this can be done if we avoid the exchange disorders and discriminatory practices that characterized the decade of the 1930's, and which will reappear in more acute form after the war unless positive measures are taken to prevent it. The only way to avoid a recurrence of this type of economic aggression is through international cooperation in dealing with international monetary problems.

We must also take positive steps to see that other countries participate in and contribute to a larger volume of international trade. Much of Europe and the Far East have suffered great damage from enemy action. Other areas of the world still have an economy that is undeveloped. While each country can and will do much for its own reconstruction and development, the process can be facilitated if foreign capital for productive investment is available on reasonable terms. The United States, as the largest exporting and importing country in the world, will derive great benefit from the restoration and the development of the producing and consuming power of other countries. Our own trade has always been particularly large with those countries that have high levels of production and consumption.

The Government has been conscious of the need to be prepared to deal with international monetary and financial problems after the war. For more than three years the Treasury and other departments of this Government have been considering means to assure stable and orderly currency arrangements and adequate international investment

- 2 -

after the war. Tentative proposals prepared by the technical staff of the Treasury, in consultation with other Departments, were sent to the Finance Ministers of the United Nations in 1943. After extended informal discussion among the technical representatives of more than thirty countries, it became clear that there was a large measure of agreement on the best means of dealing with international currency and investment problems. For this reason, I invited the United Nations to assemble at Bretton Woods, New Hampshire, for an International Monetary and Financial Conference.

This Conference prepared articles of agreement for the International Monetary Fund and the International Bank for Reconstruction and Development. I think it is a hopeful sign that the forty-four United Nations all agree that international monetary and financial problems are an international responsibility that can be dealt with only through international cooperation. In every country there is a feeling of confidence that this time we are preparing through the Fund and the Bank a sound economic foundation for international peace and for prosperity in all countries. The articles of agreement for the Fund and Bank will be submitted to the Congress for its consideration and I urge your favorable action.

DEC 30 1944

Dear Dr. Hu Shih:

I read with great interest your letter of December 19, 1944, enclosing a copy of letter of same date to Secretary Stimson.

I need not say that I have always favored that as much aid as possible should be given to the Chinese people in their fight for freedom and independence. I also need not say that this is the established policy of the U. S. Government.

I have shared with you fears and misgivings about the current military situation in China. Therefore, I am sure that you will agree with me when I express the hope that the situation may improve in such way as to make possible increased military aid to China and that steps will be taken within China to make possible the maximum utilization of the aid which is given.

With best wishes for the New Year.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Dr. Hu Shih,
Boylston Hall,
Harvard University,
Cambridge, Massachusetts.

HARVARD UNIVERSITY
DEPARTMENT OF FAR EASTERN LANGUAGES

Hit - Prepare
HARVARD-YENCHING INSTITUTE
BOYLSTON HALL
CAMBRIDGE, MASSACHUSETTS

December 19, 1944

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

My dear Mr. Secretary:

I am taking the liberty of sending to you a copy of a letter which I wrote today to Secretary Henry L. Stimson.

As I was writing this letter, my thoughts went back to one evening in April, 1941, when you and Mr. Stimson did me the great honor of coming to my small dinner party in honor of Dr. Quo Tai-chi, then newly appointed Chinese Minister of Foreign Affairs. On that evening after dinner, I heard Mr. Stimson say to Dr. Quo: "The Ambassador was right. There are in this room two real friends of China - Mr. Morgenthau and myself."

That, my dear Mr. Secretary, is my full justification in thus imposing on the very busy time of Mr. Stimson and your good self. China is still in very grave danger. But I have great faith that you and Mr. Stimson can still do much to save and help her and to prevent the Allied strategy from doing what our enemy has always wished to see done: namely, not to aid, equip and prepare China for active and effective participation in the concerted offensives against Japan.

It was a great pleasure to me to have a glimpse of you at Breton Woods and again at the Union Station in Washington. Kindly accept my warm greetings of the Season to Mrs. Morgenthau and yourself.

Very sincerely yours,

Hu Shih

Hu Shih

Enclosure:

Copy of a letter to Secretary Stimson.

Boylston Hall
Harvard University
Cambridge, Massachusetts

December 18, 1944

Honorable Henry L. Stimson
Secretary of War
Department of War
Washington, D.C.

Dear Mr. Secretary:

The gravity of the military situation in China in recent months has compelled me to write this personal letter in which I beg to submit to you an interpretation of the China Problem and a plea for urgent American aid. I am taking the liberty to impose on your valuable time because you have always been one of the truest friends of China and have always come to her aid in her days of distress. I can assure you that what I have to say is entirely from a non-partisan standpoint and out of my own convictions.

The problem of China in the War has remained unsolved all these seven years and a half. The problem has always been that of a country ill-prepared and ill-equipped for war, but forced to take up the fight against a first-class military and industrial power. China has fought all these years, not with modern science, nor with modern mechanical power, but with the elemental and primary factors of space, numbers, a sense of historical unity, and an almost foolhardy faith in the final triumph of her just cause. From the beginning, China has fought a defensive war; after seven years and a half, much weakened by long suffering and under-nourishment, her armies are still fighting a defensive war.

Strategically, the solution of the China problem should have been an early and speedy transformation of all these primary but primitive factors into effective forces to be used for the great land offensive on the Asiatic mainland against Japan. Such a transformation required a long-range plan of large-scale material aid to China and of extensive training of Chinese troops in the use of the modern weapons.

Our enemy saw clearly from the beginning the grave potential dangers of China being effectively aided and equipped. So, after Pearl Harbor, the whole Japanese strategy on the Asiatic mainland was directed

Honorable Henry L. Stimson

December 18, 1944

toward preventing China from receiving large-scale aid from her allies. The early sweeping invasion into Burma and even into India was solely motivated by this fundamental desire to cut all possible routes of outside military and material aid to China, and thereby to enforce an iron-ring of complete blockade against free China.

The successful execution of the enemy's strategy to guard the Asiatic mainland against outside aid should have inspired our Allies to greater efforts to "run the blockade", to equip and train the Chinese Army.

Unfortunately, there have been several factors which have tended to lessen, instead of enhancing, the Allied effort to send in material and military aid to China. First, the slogan "Finish Hitler First" has probably furnished the chief strategical ground for neglecting China's needs. Second, the actual difficulties of transportation, chiefly due to enemy occupation of Burma, and partly due to non-willingness of Soviet Russia to permit allied materials to reach China by way of Russia, - - naturally set a limit to the amount of materials going into China. Thirdly, there was a rather unjustified faith that China, which had stood alone in the fight for nearly five years before Pearl Harbor, might be able to take care of herself as best as she could while her Allies were fighting a hard war on other and more urgent fronts. Fourthly, there was the purely Communist-inspired bogey that "much of the equipment and munitions which did get into Chinese control was not used to fight the Japanese, but was moved to the northwest provinces for use in the blockade of the so-called Communist regions". (Quotation from Harper's Magazine, December 1944 - from an article by John Fischer, one-time with the American F.E.A. in India). This last, though untrue, has been openly talked about even by Americans of some official standing and background (such as the F.E.A. man quoted above) and accepted by many people as sufficient ground to justify no aid to China! And fifthly, self-complacency and lack of proper understanding of the international situation on the part of some Chinese government officials have undoubtedly led to delay, friction, and possibly disappointment in the execution of lend-lease and probably also in carrying out the training program which the Magruder Mission was to have inaugurated nearly three years ago.

The net result of these and other factors has come to this: the problem of China in the War has remained unimproved, unaltered, and unsolved three years after Pearl Harbor. China remains as unarmed as she was before Pearl Harbor. She is openly accused of unwillingness to "undertake major offensives" against Japan (see Harper's Magazine, December, 1944, p.94, and many other similar writings in the current American press) when she is not even adequately equipped for a successful defensive war. She is openly accused of hoarding lend-lease war materials for future civil wars when she has in reality next to nothing with which to fight for her own existence.

December 18, 1944

In short, the situation of China is now exactly what the strategy of our enemy has from the very beginning wished it to be: namely, a Chinese army poorly armed and untrained for modern warfare and therefore incapable of becoming an effective power for future land offensives against Japan!

So much for my own interpretation of the China problem in the war.

This situation, my dear Mr. Secretary, must not be permitted to continue any longer to the grave peril of China herself and of the joint allied cause.

There seems to be an urgent need for a new study of the China situation purely from the military and non-political standpoint. The central problem should be how to defeat the enemy strategy of checkmating China and the Chinese army by cutting off all possible military and material aid. No personal, political, and non-military questions should be allowed to becloud and overshadow a realistic consideration of this central problem.

When the China problem is viewed in this light, it will resolve itself into two related phases: the immediate phase of rushing every possible aid to help China fight the enemy successfully in the new offensive in the Southwest; and the broader and more basic phase of long-range equipping and training of Chinese officers and troops for effective participation in the joint Allied land, sea, and air offensives of the not-too-distant future.

There is an ancient Chinese proverb which says: "For the cure of a seven-year disease, there is enough time to seek the needed mugwort which requires three years to prepare". There is still time, my dear Mr. Secretary, to transform the Chinese forces into an effective arm of our joint war effort.

My plea to you, and through you to the President is, therefore, that the U.S. government and Army and Navy must not despair of the Chinese Government and the Chinese Army. The military successes of Chinese troops in the Northern Burma campaign furnish the best proofs of what the Chinese soldier can do when he is properly fed, properly armed and properly led. But, in order that a relatively long-range program of aid and training may be worked out successfully, immediate and effective support should be given to the National Government in its present difficulties in the Southwest. To strengthen the National Government militarily is the most effective way to help China solve many of her political problems today.

Honorable Henry L. Stimson

Page 4

December 18, 1944

The recent developments in the liberated countries in Europe may serve to drive home to our American friends the lesson that it is of utmost importance to the Allied cause to have a stable and strong native government which can play a leading role in the work of liberation of enemy-occupied territory. I believe that as the European situation gradually unfolds itself, sane political observers will begin to realize more and more the important historic role which the National Government of China, in spite of its many shortcomings, has played in all these troubled years. It deserves the sympathetic understanding and support of American statesmanship.

I humbly crave your forgiveness for thus intruding on your time.

With kindest personal greetings,

Very sincerely yours,

Hu Shih

P.S. I am sending a copy of this letter to Secretary Henry Morgenthau, Jr., of the Treasury.

December 30, 1944

My dear Mr. Stettinius:

I have received a cable containing New Year's greetings from Dr. T. V. Soong, and I would appreciate it if you would send the following cable to Dr. Soong for me:

"I appreciate very much your New Year's Greeting. I am confident that during the coming year you will use your increased influence and responsibilities to help bring about the democratic unity of the Chinese people in their war for freedom and independence and to help achieve even closer and warmer relations between the peoples and governments of our two countries. By such measures you will be making a great contribution to the achievement of the victory and peace we so eagerly desire.

"Mrs. Morgenthau joins me in sending you our best wishes for the New Year."

With best wishes for the New Year.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Edward R. Stettinius, Jr.,
Secretary of State,
Washington, D.C.

2871 WOODLAND DRIVE
WASHINGTON, D.C.

Dec. 29, 1944

My dear Mr. Secretary:

We received a cable from Dr. Soong in
Chungking, asking us to convey the following
message to you:

WISHING YOU A MOST HAPPY NEW YEAR.
MAY IT BRING A GLORIOUS VICTORY AND
A LASTING PEACE. WARMEST REGARDS.

Yours sincerely,



H. C. Chun
Secretary to DR. T. V. SOONG

The Honorable
Henry Morgenthau, Jr.
Secretary of the Treasury

DEC 30 1944

Dear Bernie,

I, too, would enjoy the opportunity to sit down with you and discuss some of these problems at length.

Let me know when you plan to be in Washington again and I will set aside enough time for a full discussion.

Sincerely,

(Signed) Henry

Mr. Bernard M. Baruch,
597 Madison Avenue,
New York, New York.

P.S. Happy new year!

HDW
and
OK

AFL;cc 12/28/44

TO:

(3) The Secretary
Mr. D. W. Bell
Mr. Gaston

261
Mr. O'Connell
Mr. Sullivan
Mr. Charles Bell

* * *

Miss Alger	Mr. Aarons
(1) Mr. E. M. Bernstein	Mr. Alk
Miss Chatfield	Mr. Arnold
Document Room	Mr. Brenner
Mr. I. Friedman	Mr. Bronz
Mr. A. U. Fox	Mrs. DeLacy
Mr. Glasser	Mr. DuBois
Mr. Heffelfinger	Mr. J.B. Friedman
Mrs. Kern	Mr. Lesser
Mr. Klaus	Mr. Minskoff
Law Library	Mr. Moskovitz
Mr. Lynch	_____
Mr. Oliphant	_____
Mr. Pehle	_____
Mrs. Ross	_____
Mr. Schmidt	_____
Mr. Shaeffer	_____
Mr. Stewart	_____
Mr. Taylor	_____
Mr. Tietjens	_____
Mr. Wenchel	_____
(2) Mr. White	_____

*I think we have
Baruch on the defensive
re the isolationists*

*AM
12/28/44*

FROM: MR. LUXFORD - Room 270

BERNARD M. BARUCH
597 MADISON AVENUE
NEW YORK 22, N.Y.

December 26, 1944.

Dear Henry:

I was glad to receive your letter of December 23rd and to note the generous manner in which you met my criticisms. In that way we will surely get results.

You are quite right that these arguments would play into the hands of the isolationists, but we must discuss these arguments beforehand and thus be ready to meet them, and not let others think we have overlooked certain things or been fools. I am sure you will agree with that.

Perhaps some of the recent events in Greece and Italy might have been avoided. Whether so or not, we must meet that situation. Here it is well to remember that the Germans when they retreated from occupied territory not alone scorched the country physically and economically, but spiritually and politically, leaving the population like a wounded animal beating and destroying itself.

After twenty-five years of waiting for international cooperation, I shall do nothing to stop it and we must avoid the pitfalls that the isolationists and those who will destroy international cooperation will use. This, as I said many times, is my second round trip and the same problems are being raised and the same arguments.

It would give me great pleasure if I could sit down with you and spend enough time for us to exhaust some of the avenues into which our thoughts and actions must move in order that these problems should be better solved.

As always,

Sincerely yours,

Baruch

Hon. Henry Morgenthau,
Secretary of the Treasury,
Washington, D.C. *What we are now discussing is only a part of a whole - war and peace. I assume it was all said and done and undone before 13. 4. 43*

DEC 23 1944

Dear Bernie,

I cannot argue with you about the fact that the modernization of her industrial plant must be an important part of any program for the solution of Britain's postwar problems. Nor can I disagree with you on the proposition that help from us to Britain cannot succeed in solving her economic problems unless she also proceeds with corrective measures of her own. The most conscientious elements in British public life are now as cognizant of these facts as we.

The recent agreement on phase two of the Lend-Lease program has no other purpose than to bring all of Britain's resources to bear on the earliest possible defeat of the enemy. By mobilizing the full strength of our Allies in the struggle against the enemy, we can shorten the war and in this way diminish the ultimate burden on our own economy. Defeating the enemy has been the sole purpose of the Lend-Lease program from the beginning and that is all that phase two of the Lend-Lease program is intended to do while the war with Japan continues. As the President has said, the Lend-Lease program is designed for the war and will end with the war.

Britain has not as yet asked for direct financial aid in the postwar period. Her immediate postwar problem will be to expand British exports sufficiently to enable her to buy the food and other materials required for her people and her industries. With the deterioration in Britain's international economic position that has already taken place, it is estimated that after the war Britain will have to increase her pre-war exports by 50 percent in order to pay for her pre-war level of imports. Britain can do this only in a world in which international trade

- 2 -

and investment are maintained at a high level and in which countries cooperate to maintain stable and orderly exchange arrangements. The Bretton Woods program would provide a favorable environment in which Britain could balance its international payments.

Whether Britain will in fact restore balance in her international accounts, without a large measure of direct government control of the balance of payments, depends upon her success in raising the level of efficiency in her export industries. Whether she will also need direct financial assistance during the transition period remains to be seen. We have a definite interest in the way Britain deals with her problem since the measures she adopts are very likely to affect the long-range interests of the United States.

What worries me most about your comments, however, is not that you feel as you do, but that these arguments play right into the hands of the isolationists who are only too eager to capitalize on issues of this character to further their own objectives. Recent events in Greece and Italy are already being exploited and it is not difficult to anticipate a recurrence of a wave of cynicism that will destroy the hopes for international cooperation until we are in the throes of another war.

It is going to tax our capacity for self-restraint if we are going to give international cooperation a trial - let alone make a success of it.

Sincerely,

(Signed) Henry

Mr. Bernard M. Baruch,
597 Madison Avenue,
New York, New York.

EMB:AFL:nrd - 12/22/44



TREASURY DEPARTMENT

WASHINGTON 25



Dear Bernie,

I cannot argue with you about the fact that Britain's postwar problems cannot be solved unless Britain modernizes her industrial plant. Nor can I disagree with you on the proposition that help from us to Britain cannot succeed in solving her economic problems unless she also proceeds with corrective measures of her own. The most conscientious elements in British public life are now as cognizant of these facts as we.

Defeating the enemy
The recent agreement on phase two of the Lend-Lease program has no other purpose than to bring all of Britain's resources to bear ~~to help bring about~~ on the earliest possible defeat of the enemy. By mobilizing the full strength of our Allies in the struggle against the enemy, we can shorten the war and in this way diminish the ultimate burden on our own economy. ~~That~~ has been the sole purpose of the Lend-Lease program from the beginning and that is all that phase two of the Lend-Lease program is intended to do while the war with Japan continues. As the President has said, the Lend-Lease program is designed for the war and will end with the war.

The continuation of lend-lease during the second phase of the war will permit Britain to continue to bear her share of the war effort without too seriously depleting her foreign assets. This effect on Britain's postwar position is purely incidental and arises from the fact that with lend-lease Britain will not find it necessary to exhaust her gold and dollar resources in purchasing military supplies in this hemisphere.

increased her post-war exports to help
Britain has not as yet asked for direct financial aid in the postwar period. Her immediate post-war problem will be to expand British exports sufficiently to enable her to buy the food and other materials required for her people and her industries. With the deterioration in Britain's international economic position that has already taken place, it is estimated that Britain will have to ~~find markets for~~ 50 percent ~~more exports~~ after the war in order to pay for ~~the~~ prewar level of ~~her~~ imports. Britain can do this only in a world in which international trade and investment are maintained at a high level and in which countries cooperate to maintain stable and orderly exchange arrangements.

The Bretton Woods program would provide a favorable environment in which Britain could balance its international payments. Whether Britain will in fact restore balance in her international accounts, without a large measure of direct government control of the balance of payments, depends upon her success in raising the level of efficiency in her export industries. Whether ~~that~~ will also need direct financial assistance during the transition period remains to be seen. ~~I believe we should be able to help her~~ *Deals with her problem*

~~country have a definite interest in Britain's well-being~~ *The way*
~~since the measures she adopts are very likely to affect the long-range interests of the U.S.~~

- 2 -

What worries me most about your comments, however, is not that you feel as you do, but that these arguments play right into the hands of the isolationists who are only too eager to capitalize on issues of this character to further their own objectives. Recent events in Greece and Italy are already being exploited and it is not difficult to anticipate a recurrence of a wave of cynicism that will destroy the hopes for international cooperation until we are in the throes of another war.

It is going to tax our capacity for self-restraint if we are going to give international cooperation a trial - let alone make a success of it.

Sincerely,

BERNARD M. BARUCH
597 MADISON AVENUE
NEW YORK 22, N. Y.

December 13, 1944.

My dear Henry:

Somehow or other we do not seem to catch up with each other.

The enclosed editorial has brought to my mind again the conversation I had with Charwell and which I wanted to complete with you.

The English people have not commenced to touch their ability to produce either in quantity or at a price. They have been crying poor mouth so long it reminds me of a number of my southern friends who do the same thing but do not try to help themselves.

Why should we help England or anybody else until they have learned to help themselves?

Sincerely yours,

Bernie

Hon. Henry Morgenthau,
Secretary of the Treasury,
Washington, D. C.

The Facts of Life

The British mission headed by Sir Frank Platt, which visited this country earlier in the year to study the operations of the cotton textile industry, found that the industry of the United States was "very far ahead of the Lancashire industry in production per man-hour." Its report showed, for example, that in spinning British output per man-hour was 18 to 49 per cent less than American; in weaving, 56 to 67 per cent.

To us the really amazing thing about this report is not the facts revealed, but the surprise with which they have been received in Britain. For example, the London "Economist," which, one might assume, would be familiar with the lag in British efficiency in this industry as compared with its American counterpart, asks, in pained surprise:

"The report shows that the great advance in efficiency of the American industry came some twenty-five to thirty years ago. How is it that we are only finding out about it now—and even now, not through the initiative of industry, but as a by-product of war-time pressure?"

The failure of British industry to keep abreast of that of the United States in modernization and efficiency has long been a matter of common knowledge here, if it has not been in liberal British circles. It was stressed by American economists at the time of the British depression of the '20s, in connection with the publication of the report of the Economic Committee appointed by Parliament to investigate the causes of Britain's budgetary difficulties at the turn of the '30s, and again in the debates over the MacMillan report of 1931 and the report of the Gold Delegation of the League of Nations, in 1932. Indeed, it was one of the great sources of controversy in the whole gold standard question during the period between World War I and World War II. Publications such as the "Economist" were inclined to lean to the Keynesian view that Britain's troubles were mainly monetary and derived from the high post-war rate set for the pound. To this the London "Bankers Magazine" replied that it was not a question of returning to the old parity for sterling, but "failing to conduct a policy in harmony with our resumption of gold responsibilities." And the London "Statist" expressed the opinion that, instead of the gold standard, Britain's difficulties were to be found in "the forces of inertia . . . such as trade union regulations . . . rigidity of wages and rigidity of minds."

The economists of the National City Bank of New York, in the monthly "Letter" of that institution, commenting on Britain's difficulties in this period, noted that the problem stemmed mainly from (1) the post-war self-sufficiency of countries which formerly constituted important outlets for British products, and (2) the relatively high cost of British goods, "due partly to failure to modernize industrial equipment and methods and partly to comparatively high labor costs." The City Bank "Letter" presented figures from the International Cotton Federation as far back as October, 1931, which told precisely the same story now told in the report of the Platt Mission, which seems to have created such a stir in Britain. It showed then that the number of ordinary looms in Britain at the time was 679,000 to 134,000 for the United States, while there were also 565,000 automatic looms here, against 14,000 in Britain. This same study showed that in the best mills in this country weavers with unskilled assistants frequently tended sixty or more looms, while in Lancashire "the majority of the weavers tend only four ordinary looms."

Perhaps what is needed in Britain are economists who are less concerned with the building of a new, and better world and more interested in getting at the real facts of what is wrong with the one they are living in.

The New York Times.

DEC 1 2 1944

In The Nation

The Clouds Gather Over Dumbarton Oaks

By ARTHUR KROCK

WASHINGTON, Dec. 11—Until the Japanese brought the United States into formal war by their attack on Pearl Harbor there were non-interventionists in this country whose position never was that which came to be conveyed by the term "isolationist." They were neither as stubbornly blind nor brutally indifferent to the menace of German, Japanese and Italian aggression as others with whom they were lumped under the same term. Gen. Robert E. Wood, despite the unsavory allies attracted to his America First, was of this group, which favored earlier and much greater rearmament programs than the Administration's and official reproofs of other nations geared strictly to our power to sustain them forcibly.

These non-interventionists are sure to come forward again, and regain as much if not more of the public support they once had, if there is not prompt improvement in the dealings and policies of the United Nations, and tangible proof that these are not in the state which many judge them to be. Those who believe this non-interventionist group to have been thoroughly and dangerously wrong in its attitude might come to the conclusion expressed above if they could talk, as this correspondent has done, with members of Congress.

Before Cordell Hull resigned his office as Secretary of State he, by means of the Declaration of Moscow for which he was chiefly responsible, and the Dumbarton Oaks plan of which also he was chief architect, had persuaded a large majority of Congress that these were true charts of the international future. But recent events, following Mr. Hull's retirement, have renewed serious doubts that the world, particularly Europe, is following the charts or that the United States can lead the other great nations back to them after victory over Germany and Japan. Among the events are the State Department's démarche against the British Government with reference to its Italian policy and the execution of a mutual defense treaty between Soviet Russia and the regime of General de Gaulle in France.

The State Department asserted our position against outside interference in the politics of conquered or liberated countries at a time and in such a way as to have particular impact on Great Britain. The text could cover Russia's similar interference in Rumania, Bulgaria, Yugoslavia and Poland and its undisguised intentions with respect to the Baltic States, but the United States did not coevally agitate these performances, as it did Britain's in Italy. Congress, however, has them on its mind, and they are part of a spirit of disillusionment there which can work very great damage unless it is checked by announcement of better understandings, and clearer statements as to what the President has really been doing with international relations and intends to do.

Until the State Department rebuked the British on Italy, and France signed with Russia at Moscow an apparent extension of the spheres of influence policy which Dumbarton Oaks and the Hull-Eden-Molotov declaration were designed to supersede, the anti-interventionists were not able to make much headway on Capitol Hill with reminders of their original warnings. But now they are making some impression when they recall the prophecies, despite the fact that most of them had no alternative to offer except heavy rearmament and Washington's "good offices."

The hour now seems to be past due, to some observers of the mood of Congress, for the President, Prime Minister Churchill and Marshal Stalin to meet and seek to dispel the spirit of the defeatist past which, at least in the United States and Great Britain, appears to be slightly reviving. Though this report of the apparent effect here of recent events may be gloomy, and is distasteful, that should only redouble the efforts of those who supported Mr. Hull until illness obliged him to give up public office.

There are impressive answers to be made, no doubt, to the rising whisper that European power politics is again being offered as the only answer to the world's social and economic ills, and that balanced alliances—in which the United States must necessarily be an outsider—will follow this war as they preceded it. But, now that Mr. Hull is on the sidelines, only the President can make them with the force and authority required to restore belief where it is waning. And specifications rather than pious generalities must be a part of them, in the opinion of numerous observers.

An example of the generalities which have harvested rumor-crops of secret deals, at the expense of our economy and of the Dumbarton Oaks concept, is to be found in the broad statements with which the second phase of Anglo-American lend-lease was announced. This correspondent was today informed that doubts of the compact have been expressed to the signatories of that announcement, and to the President as well, by public men in this country who have been the foremost leaders for international cooperation and were strong supporters of the League of Nations. Among these, it is understood, is B. M. Baruch, who is represented as having asserted that he could not help wondering where the United States will come out in the compact, if the terms mean that we are weakening ourselves while trying to help the rest of the world. Courses are being indicated, he is quoted as saying, which should be countered by full explanations, or even the old Wilsonites will hear themselves "talking like isolationists."

December 5, 1944

My dear Mr. Baruch:

This will acknowledge receipt of your letter to Secretary Morgenthau, dated December 2, which has arrived during his absence from the city. He will return within a few days and you may be sure I shall bring your letter to his attention as soon as he is back.

Yours sincerely,

(Signed) H.S. Klotz

H. S. Klotz
Private Secretary

Mr. Bernard M. Baruch,
597 Madison Avenue,
New York, New York.

Morgenthau To Car
December 2nd 1945

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

My dear Mr. *Henry* Morgenthau:

I have been asked for an outline of my attitude on certain developments having to do with postwar commitments which, in my opinion, tend to weaken the strength we shall be needing in the construction of the peace terms.

I send you this for whatever value it may possess as reflecting my sense of danger if certain tendencies are not checked.

Sincerely yours,

Bornil

MEMORANDUM

December 1, 1944.

Confidential

Today I see that certain agreements have been entered into between us and England in which they get five billion and one-half dollars of lend-lease a year with certain limitations. I also saw certain statements purported to have been made by Dean Acheson before the Congress. I, of course, do not know the details. Neither does the ordinary public. All of this is going to make others, as it does me, wonder how the United States is going to come out.

No one need think that by giving too much and weakening ourselves that we can help the rest of the world. We can weaken ourselves so much by giving away so many things before peace is here that no one will pay any more attention to us when we talk of world peace than they did at the Paris Conference. We must also measure the cost, not only in dollars, but in the derangement of our economy which the inflation is bringing.

You are aware how little attention was paid to the mistakes that were made in the first World War in mobilization and in price fixing. You know how much that has cost us in lives and property by neglect of the experience of the past. I see the mistakes made in the last peace now being repeated. You will certainly drive "Wilsonites" like myself into the position of looking like isolationists.

Winston Churchill said that he did not accept a portfolio to liquidate the British Empire. I should like to see either a full explanation of why all this is done and what exactly it is, or simple Americans like myself will wonder if this action is of such a nature as to tend to liquidate American standards of living.

Bernard M. Baruch

November 14, 1944.

Your statement that the English said they were bankrupt and required \$7,000,000,000 provoked the following thoughts:

Germany in preparation for the first World War and Germany and Japan together in preparation for the second World War through sweated labor and subsidized exports, flooded the export markets of the world everywhere, reducing prices and profits and causing reduction in scales of wages and standards of living.

During that time they were enabled to keep up a certain standard of living uncomplainingly, to obtain through their enforced exports stockpiles of necessary materials and make unhappy the populations of the rest of the world.

The removal of the sweated labor and subsidized exports of these two countries will enable the rest of the world to increase employment, profits and standards of living. The cartelized system fathered by Germany will disappear.

DEC 30 1944

Dear Mr. McCloy:

Receipt is acknowledged of your note of December 22, forwarding a draft of a memorandum for the President and related memoranda, concerning the question of the trial and punishment of war criminals. Thank you very much for making these documents available to me.

*documents in
White's office -*

We are studying these documents in the Treasury and I am looking forward to discussing this whole matter with you within the very near future.

Sincerely,

Secretary of the Treasury

Mr. John J. McCloy,

Assistant Secretary of War.

HDW:JED:jm
12/30/44

Envelope marked "Confidential"

Regraded Unclassified

Mr. White
Mr. O'Connell
Mr. DuBois
Mr. Luxford
Secretary Morgenthau

12/28/44

Please read the attached material, and consult
with each other on this subject.

Note from McCloy of 12/22/44 attaching draft of memo for
the Pres. from Secys. of War and Navy on Trial and Punish-
ment of European War Criminals, and Col. Chanler Memos to
McCloy of Nov. 30 and Dec. 1., 1944

DEC 30 1944

Dear Mr. McCloy:

Thank you for your letter of December 21, forwarding copies of certain reports on military government operations in Germany. I found them very interesting indeed and think they are an excellent job of reporting.

I greatly appreciate the steps which you have taken to see to it that future reports on European civil affairs operations will be forwarded to me regularly.

Sincerely,

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury.

Mr. John J. McCloy,
Assistant Secretary of War,
Washington, D. C.

HEB:NDW:ls
12/30/44

Envelope marked "Confidential"

Dec. 28, 1944

Mr. White

Secretary Morgenthau

I think these reports on Germany are very good, and if you agree with me, I want to tell McCloy so.

The only thing I want to question is in regard to the "Carolus Magnus Mine" in the Ubach-Palenberg area. I want full details on this mine - what kind of mine is it and why are we rebuilding it? This reference to mines is in the report for week ending December 9th.

McCloy's letter of 12/21/44 attaching copies of reports on Germany - from Oct. 14th thru Dec. 9th - received from Supreme Hqs., Allied Expeditionary Forces. ~~xxxxmilitary~~

Dec 27, 1944
278

Dear Mrs Klotz:

Please give

H. White Reports on Germany
with following memo from
one quote I think these
reports very good and if ^{White} you
agrees I want to tell McCloy
so. The only thing I want
to question is in regard to
the "Carolo Magnus Mine"
in the Ubach - Palenberg
area. I want full details
on this mine. What kind
of a mine is it and why
are we rebuilding it? This
reference to mines is in
report of work ending Dec 9th
in quote. Thank you.
Wick

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

DATE DEC 30 1944

TO Secretary Morgenthau
FROM J. W. Pehle

For your information.

In connection with our recent release to the public of the two eye-witness accounts of the German extermination camps at Auschwitz and Birkenau, you will be interested to know that no one has seriously questioned their authenticity except a Mr. Oswald F. Schuette of Washington, D. C., who wrote to Secretary Stimson on November 28th. Apparently skeptical of atrocity stories as war propaganda, Mr. Schuette questioned the value of the anonymous reports released by us and asked Secretary Stimson as a lawyer to vouch for their truth. He specifically asked Mr. Stimson if he had read the reports before they were accepted as true by the Board, if he had examined them critically to see that they bore evidence of truth and whether any investigation was made of the narrators or circumstances which led to the preparation of the accounts. This letter from Mr. Schuette to Secretary Stimson was sent to us for preparation of an appropriate reply which we immediately drafted and sent to McCloy. Our draft contained the following paragraph:

"The decision that the report referred to in your letter is authentic is based upon the opinion of trusted and trained officials of the War Refugee Board, both here and overseas, and upon the considered judgment of experts in refugee and related matters in neutral countries. The report contains only material about which there is no uncertainty either in the minds of the narrators or among the many qualified people who examined them in person. The report was also checked against other unpublished material on the same subject and against the testimony of other eye-witnesses of similar or related incidents."

McCloy later advised us that he thought our proposed reply was "a very good job."

I have now received a letter from McCloy transmitting a copy of another letter which Mr. Schuette has written to Secretary Stimson. Schuette still questions the veracity of the two reports

and calls upon Stimson to read them carefully and, as a lawyer and a judge, decide whether he would "vouch for them to a jury in a court." McCloy's letter to me ends as follows:

"Mr. Stimson also sent me a memorandum which reads as follows:

'I should be very grateful if you could get hold of Pehle and tell him that he must be extraordinarily careful. I have read the report on the atrocities and it is so horrible that it will be sure to invite further inquiry by readers as to the care which we have taken to authenticate it'."

Copies of all of the above-mentioned letters are attached.



Attachments.

C
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WAR DEPARTMENT
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON

281

27 December 1944

Mr. John W. Pehle, Executive Director
War Refugee Board, Treasury Department
Washington 25, D. C.

Dear Mr. Pehle:

I am sending you a copy of the reply of Oswald Schuette to Mr. Stimson.

You will recall that Mr. Schuette wrote to Mr. Stimson after the publication of the last report of the War Refugee Board. Mr. Stimson also sent me a memorandum which reads as follows:

"I should be very grateful if you could get hold of Pehle and tell him that he must be extraordinarily careful. I have read the report on the atrocities and it is so horrible that it will be sure to invite further inquiry by readers as to the care which we have taken to authenticate it."

Sincerely,

/s/ John J. McCloy

C
y
OSWALD F. SCHUETTE
National Press Building
Washington, D.C.

December 18, 1944

Hon. Henry L. Stimson
Secretary of War
Pentagon Building
Washington, D. C.

Dear Mr. Stimson:

I appreciate greatly the courtesy of your reply of December 13 to my letter of November 28, concerning the War Refugee Board's report on German Atrocities, made public November 26, 1944. I know how busy you are with more important matters.

But you are the one member of that Board whose judgment in matters of this kind is entitled to the respect of the public. And your name was used to induce the public to accept as authentic the anonymous "eye-witness" reports of the happenings at the "German Extermination Camps - Auschwitz and Birkenau."

Your letter leaves unanswered my question as to whether you had critically examined these reports before they were given to the public, with your endorsement and with the statement of your Board that "it is making the reports public in the firm conviction that they should be read and understood by all Americans." You say in your letter that the decision that the report is authentic is "based upon the opinion of trusted and trained officials of the board" and "upon the considered judgment of experts in neutral countries."

I doubt whether, as a lawyer, you would have submitted to a court, on far less weighty matters, any anonymous testimony merely authenticated by "the opinion of trusted and trained officials" or "the considered judgment of experts." Yet that is not the real issue. The main point is that the public, your public, whom the Board has urged to read this document, is entitled to know that you too have read it -- and carefully.

I am sure that you have not done this. For if you had, I am confident you would have hesitated to vouch for its truthfulness. Please remember that this document is not offered by your Board as an indictment or as a compilation of general charges. It is offered in proof of such charges, as the detailed account of the personal experiences of three-eye-witnesses. Two of these were themselves participants -- even though under coercion -- in the revolting crimes they report. The principal one of these unnamed eye-witnesses testifies that from May 1942 to January, 1943, he

-2-

was the "chief attendant and later administrator" of the "sick building" (Krankenbau) which was the "much dreaded Block 7" of the Birkenau prison.

"This building", he says (pg. 9), "was nothing else than an assembly center for death candidates. *** Twice weekly, Mondays and Thursdays, the camp doctor indicated the number of prisoners who were to be gassed and burned ***. The weekly 'draft' in dead from Block 7, was about 2,000 of whom 1,200 died of 'natural death' and about 800 through 'selection.' *** Until January 15, 1943, up to which time I was administrator of 'Block 7' and therefore in a position to directly observe happenings, some 50,000 prisoners died of 'natural death' or by 'selection'."

Although his own report does not tell what he did after he gave up his post as "administrator" in January 1943, the document issued by your Board says (pg. 34) that when he and his companion -- one of your other witnesses -- escaped from Birkenau, April 7, 1944, the two had held posts as "block recorders", and that as a result of their escapes all Jews exercising such functions were removed. The "block recorders", the statement explains (pg. 25) were the "right hand" of the "block eldest" who was responsible for order in each block and had power over life and death. "Until February 1944," adds the statement, "nearly 50 percent were Jews".

So the main portion of the testimony which your Board asks the public to read, on your guarantee of its truthfulness, is the statement of a man who was himself a trusted prisoner charged with grave responsibilities in the administration of this house of murder.

Each day, according to his report, the march of death was mobilized under his eyes. Each day he was a part of its heart-rending, bestial brutality. After almost two years of this experience, he escapes. Not as a raving maniac. No. He writes -- or underwrites -- thirty pages of single spaced typewriting, filled with the horrible details. Names, dates, places, pages of complicated serial numbers, gruesome incidents and trivial facts, fill these carefully phrased pages.

An official reporter, without a conscience or a heart, with nerves of iron and a mind of steel, plus a ream of notebooks and high authority to take them out prison with him, could not have compiled so precise a record of everything that was done in those two terrible years. Yet we are asked to believe this man did so under the vigilant eyes of the prison keepers who murdered, he says, 1,765,000 prisoners while he was one of them.

It may be true -- God in His Mercy forbid! But it is difficult to believe that this particular witness could have written, --

-3-

as we are supposed to believe that he did - with such detail, the day by day story of two such horrible years.

Please read it yourself, Mr. Secretary, and calmly if you can, as a lawyer and a judge, and then decide whether you would vouch for it to a jury in a court.

Sincerely yours,

/s/ Oswald F. Schuette

C
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THE ASSISTANT SECRETARY OF WAR
WASHINGTON

4 December 1944

Mr. J. B. Friedman
War Refugee Board
Washington, D. C.

Dear Mr. Friedman:

Thank you for the draft reply to
Mr. Schuette's letter to Secretary Stimson.
I thought it was a very good job.

Sincerely,

/s/ John J. McCloy

JOHN J. McCLOY
Assistant Secretary of War

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December 2, 1944

MEMORANDUM

TO: Mr. McCloy
FROM: Mr. Friedman

Pursuant to your request of yesterday, I send you herewith a suggested draft of reply which you may wish to use in answering the letter received by Secretary Stimson from Mr. Oswald F. Schuette under date of November 28, 1944. Mr. Schuette's letter is returned herewith.

Attachments.

Dear Mr. Schuette:

Reference is made to your letter of November 28, 1944, in which you inquire about a report recently issued by the War Refugee Board and entitled "German Extermination Camps - Auschwitz and Birkenau."

I understand fully your skepticism concerning atrocity stories which undoubtedly arises from the fact that during and after the First World War some of the stories which were published were later proved without foundation. It is precisely because of this regrettable experience in the past that all of us have been reluctant to believe the stories of incredible German brutality which have come to light in the last few years. I regret to state, however, that the evidence supporting these accounts is all too abundant.

The decision that the report referred to in your letter is authentic is based upon the opinion of trusted and trained officials of the War Refugee Board, both here and overseas, and upon the considered judgment of experts in refugee and related matters in neutral countries. The report contains only material about which there is no uncertainty either in the minds of the narrators or among the many qualified people who examined them in person. The report was also checked against other unpublished material on the same subject and against the testimony of other eye-witnesses of similar or related incidents.

I can assure you that every available device was used to establish the accuracy of this testimony. As a result, and as you will notice in the enclosed copy of the report, the following statement is made in the foreword: "The Board has every reason to believe that these reports present a true picture of the frightful happenings in these camps."

Very truly yours,

Secretary of War.

Mr. Oswald F. Schuette,
National Press Building,
Washington, D. C.

C
O
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THE ASSISTANT SECRETARY OF WAR
WASHINGTON

1 December 1944

MEMORANDUM FOR MR. FRIEDMAN:

Herewith letter to the Secretary of War from Oswald F. Schuette of November 28, 1944 regarding the War Refugee Board's press release last Sunday on the subject of German extermination camps.

In accordance with our telephone conversation of this morning, will you please draft a suggested reply for the Secretary's signature. Kindly also return Mr. Schuette's letter.

J. J. McC.

C
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OSWALD F. SCHUETTE
National Press Building
Washington

November 28, 1944

Hon. Henry L. Stimson
Secretary of War
Pentagon Building
Washington, D. C.

Dear Mr. Secretary:

The War Refugee Board--of which you are a member--has just made public a voluminous and detailed account of the murder of 1,765,000 prisoners, by the Germans, in what it calls the "German Extermination Camps, Auschwitz and Birkenau."

"The Board," says the official statement, "has every reason to believe that these reports present a true picture of the frightful happenings in these camps. It is making the reports public in the firm conviction that they should be read and understood by all Americans."

Your membership on this board gives this publication its chief claim to public acceptance. As Secretary Hull was ill for many months, prior to his resignation, it is not to be assumed that he had an opportunity to make a critical examination. Although the only remaining member, Secretary Morgenthau, is a lawyer, he has no background of experience that would warrant the assumption that he was able to make the critical analysis necessary to determine the credibility of the report.

You, however, have such an outstanding reputation as a lawyer, and as a conscientious public official in two of the highest executive posts in the nation, that your name on the document gives it an overwhelming authenticity.

That fact places upon you a serious responsibility. Atrocity stories are nothing new in war propaganda. I was an American War Correspondent for three and one half years in the last war, and know something of what was done in that field.

So I am writing this letter to ask you three simple questions:

1. Did you read the reports of the three unnamed witnesses, before they were accepted as true by your Board?
2. Did you examine them critically to see that they bore on their face the evidence of truth?
3. Did you make any further investigation of the signers,

or of the circumstances which led to the preparation of the detailed accounts?

As a lawyer, I am sure you realize, even more than a layman, that the value of any anonymous testimony is only so good as the care with which the lawyer, who vouches for its truth, has tested its veracity and integrity.

I shall appreciate the courtesy of your reply.

Sincerely yours,

/s/ Oswald F. Schuette

OFS:K

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

December 30, 1944

3 p.m.

AMEMBASSY

LONDON

10825

The following for Mann is WRB 30.

Reference your letter December 2.

(1) Report submitted by trustees of Czechoslovak program is satisfactory to Board, Treasury and labor groups sponsoring program.

(2) Your action with respect to \$75,000 of funds for Polish program is approved by Board. Labor groups here have been advised of this and approve. However, they suggest that you advise the trustees of the Polish project of the fact that the remittance of \$75,000 has been made but will not be released to them until you receive report that the \$250,000 has been sent into Poland. Please advise Board when you have further information concerning the \$250,000.

STETTINIUS
(GLK)

STETTINIUS

WRB:MMV:KG
12/29/44

BC

EE

CE

SWP

AMEMBASSY.

LONDON

10833

The following for Mann is WRB 31.

Reference your 11395 of December 22 concerning funds for Belgian War Relief project.

Please advise Abramson that on December 13 McClelland paid Swiss franc equivalent of \$90,000 (total of all Belgian funds remitted to Switzerland) to Decaritat, Belgian Charge d'Affaires in Bern. This payment was made by McClelland in accordance with instructions sent by the Board on behalf of Abramson's group and A.F.L. and only after Ministry of Interior at Brussels had wired Decaritat authorizing him to accept these funds stating they were in contact with Major in Belgium and would make available to him in Belgium the local currency equivalent. Labor groups here request that you ask Abramson to get in touch with Jef Rens in London immediately who has all background on this transaction.

STETTINIUS
(GLW)

WRB:MMV:KG
12/30/44

BC

WE

SNP

LFG-658

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special agreement.
(SECRET W)

Paris

Dated December 30, 1944

Rec'd 1:20 a.m., 31st

Secretary of State,
Washington.

1132, December 30, Noon

FOR WRB FROM HOFFMAN FOLLOWING FOR LEAVITT FROM
SCHWARTZ. CHARGE JOINT DISTRIBUTION COMMITTEE NEW YORK

Arrived here and have been conferring Arthur
Greenleigh preliminary his taking over. Expect leave
for London next days confer Passman whose immediate
return to Middle East most important.

Hope you have succeeded obtaining permission on his
entry Bucharest. Most urgent additional American
personnel be sent France for work here where situation
most complicated and also for reassignment eventually
to other neighboring countries. In addition to Laura
Margulies (repeat Margulies), whose entry here we
undertaking facilitate, suggest you send at least
three other capable staff members including Max
Perlman. Also extremely important we send a competent
American to assist Saly (Saly) Mayer (repeat Mayer)
Switzerland who been overtaxed with many duties and
responsibilities which he can no longer be expected
carry along. Mayer will arrange Swiss visa and we
will try facilitate French transit. Expect remain
in London one week and then return here to complete
organizational setup.

CAFFERY

WSB

GEK-563

PLAIN

Lisbon

Dated December 30, 1944

Rec'd 6:55 p.m.

Secretary of State,
Washington.

4323, Thirtieth

JDC 143 WRB 281 FOR LEAVITT FROM PILPEL

Further our 127 six hundred detainees from Stara
Zagora Bulgaria now Edirne Turkey awaiting January quota
immigration certificates proceed Palestine.

NORWEB

MFM

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
 TO: AMERICAN LEGATION, BERN
 DATED: December 30, 1944
 NUMBER: 4398

SECRET

Board and Department agree with suggestions made in your 8177 of the sixteenth of December. In accordance with this, you are asked to advise the Swiss officials that individuals whose names were or will be forwarded to you pursuant to Department's 2605 of the twenty eighth of July and 2918 of the twenty fourth of August are eligible for exchange against German civilians under Department's 3082 of the sixth of September and A-540 of the ninth of November as amended by Department's message number 4289 of the twentieth of December. Although all of these individuals might be considered as bearing "documentation reflecting a right of admission into one of the Republics of the Western Hemisphere" for the sake of uniformity, they should be included under category G of Department's A-540 as amended by Department's 4289 of the twentieth of December. In the event the Legation or the Swiss because of special circumstances prevailing in a given case find that any persons so named are entitled to classification in a higher category, with reference to the Department such reclassification is authorized.

We hope that under this procedure nothing will stand in the way of the speedy transmission of the names given in the lists in question to the German officials.

This is WRB Bern cable number 346. The foregoing is for McClelland.

STETTINIUS

SWP

Paraphrase
 DC/L:MLG
 1-2-45

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

ASB
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special arrangement
(SECRET W)

December 30, 1944

3 p.m.

AMLEGATION

BERN

4399

The following for McClelland is WRB 347.

Please obtain from Sternbuch as soon as possible a detailed report on the use of all funds remitted to him by the Vaad Hahatzala Emergency Committee for operations authorized under license No. W-2117. This report is urgently requested by the Vaad Hahatzala Emergency Committee and is required under the terms of the license. Report should be forwarded through War Refugee Board.

STETTINIUS
(GHW)

WRB:JAV:KO
12/29/44

Wk

SWP

GCH
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special arrangement.
SECRET W

December 30, 1944

5 p.m.

AMLEGATION

BERM

4401

The following for McClelland is WRB 345.

Amcross shipped for Board on S.S. Caritas II second half of December for off-loading at Toulon a total of 10,112 cases containing 60,672 three-kilo WRB food parcels for consignment to ICRC for distribution to unassimilated persons in camps. Outer shipping cases are marked as described in our 4001 of November 25, and each contain six three-kilo parcels. This shipment includes 9750 cases containing 58,500 "K" parcels which do not contain receipt cards. Balance of 695 cases containing 4,172 parcels include receipt cards as per wire-photo September 21. This shipment concludes the initial WRB 300,000 three-kilo food parcel program.

STETTINIUS
(GLW)

WRB:184V:K3
12/29/44

WE

SWP

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Moscow via Army
 TO: Secretary of State, Washington
 DATED: December 30, 1944
 NUMBER: 5059

CONFIDENTIAL

With regard to the fate of Jewish refugees in eastern Europe the information which follows is submitted which has been secured from a reliable non-Soviet source who is in touch with the Polish Jewish community in the Soviet Union, and this information will supplement that which was given in my message dated December 9 No. 4730. It may be the desire of the Department to make some of this information available to the War Refugee Board or all of it.

I have broken down this information by the countries concerned for purposes of convenience, namely Czechoslovakia, Poland and the Soviet Union.

CZECHOSLOVAKIA. Almost no Jews were found at the time of liberation of Ruthenia. Subsequently a few Jews returned to that area from Hungary and Rumania but they constitute only 5 to 8 percent of the Jewish population which was there formerly. There are only 180 in Berehovo, and there are even less in Sevljusi. The Jews of military age who had declared themselves previously to be of Jewish or of Ruthenian nationality were mobilized into the Czech units in the USSR at first in which the dominant element is now said to be the Ruthenians. This practice was stopped later and the Soviet military authorities began to draft such of these Jews as declared themselves to be Ruthenians directly into the Red Army in spite of the protest of the Czechoslovak Civil Affairs Delegation. Request has been made of the American Joint Distribution representatives in Tehran to send supplies for the Jews in this area and they have agreed to do this. The situation is still not exactly clear in Slovakia. It is estimated that before the German occupation there were in that area 120,000 Jews. Lists of about 75,000 who are known to have been killed by the Germans are in possession of the Czech Government. At the present time only about 20,000 are believed to remain in that area, and many of these people have

become

-2- #5059 from Moscow via Army, dated December 30, 1944

become Partisans; they have formed their own bands of Partisans since they were not accepted into the Slovak Partisan Army. After liberation practically none of them desire to remain in Slovakia.

POLAND. The number of Jews remaining in liberated Poland is placed at only 8,000 by this source. Having lost confidence in themselves and in all established authority and not being willing to make any direct assertion of their rights even the most elementary these people are reported to be in a pitiful moral state. They are encountering a very considerable amount of anti-Semitism although they are finding employment without difficulty. Physical violence against them has been seen in the streets of Lublin; not even the Moscow representatives of the Lublin Committee deny this. Their needs are for clothing and medicine rather than for food as is the case with the remainder of the population in that area. Particularly distressing is the plight of the orphan children. There have recently been established three orphanages and it is hoped that these children can be removed to Palestine eventually.

SOVIET UNION. The number of Polish Jews in Russia is placed at 250,000 by this source. Eighty percent of these have Russian passports it is estimated, and of the remaining 50,000 many of them are listed by the Soviet authorities as being without citizenship of any kind. About 70 percent of the total number are young people between the ages of 18 and 35; in part this fact is explained by the greater willingness of the younger elements to submit in 1939 and 1940 to evacuation by the Soviet authorities, also by the fact that mortality has been much higher among the very young and the very old due to hardships to which all of them have been subjected since they arrived in the Soviet Union, where hardships have been great. These people are permitted still to consider themselves to be Polish Jews as distinguished from Russian Jews and to have relations with the Committee of Polish Jews in Moscow in spite of the fact that four-fifths of them have Soviet passports. The Committee of Polish Jews in Moscow is affiliated with the Central Jewish Committee in Lublin and Comenstain who is also a member of the Polish Committee of Liberation in Lublin heads this Committee of Polish Jews in Moscow also. This Committee of Polish Jews in Moscow functions under the close supervision of Polish Communist authorities and of authorities of the Soviet. Entirely inadequate is its office space in Moscow which consists of one or two rooms in the headquarters of the Union of Polish Patriots. This

Committee

-3- #5059 from Moscow via Army, dated December 30, 1944

Committee is almost entirely lacking in materials or funds with which to aid the people in whom it is interested and even its lack of office materials, stationery, et cetera severely handicaps its work.

The above Committee should not be confused with the Polish section of the Committee of anti-Fascist Jews in Moscow, which is not in any sense representative of the Polish Jews in the Soviet Union but rather is a political propaganda committee which is designed to further the Soviet information program among Jewish circles abroad, in the United States especially. An American Jew named Epstein is understood to be at the head of it.

The Polish Jews in the Soviet Union have found little cultural contact and no organizational contact with regular Soviet citizens of Jewish origin, in general. These Soviet citizens of Jewish origin are not interested in general in the preservation of Jewish traditions or culture as such whereas the Polish Jews who have just arrived still long for the cultivation of Jewish tradition which they have known in the past and for the Jewish community life. The fact that there are as many as 50 Polish Jewish actors and actresses in Moscow who are not able to practice their profession here and who are living in great physical distress is an example of this situation. They consider the local Jewish theater to be preoccupied with Soviet nationalist propaganda and devoted to the disruption of Jewish cultural values rather than to their preservation and so it is not possible for them to work with the local Jewish theater.

Still obscure remain the prospects for the return of Polish Jews to Poland. The Soviet authorities in general have not shown themselves to be willing to let these people leave although recently exceptions seem to have been made in the Lvov area in favor of Jews who wish to move to the territory over which the Lublin Committee exercises authority. There is a widespread desire among the Polish Jews in the Soviet Union in general to get to Polish territory which has been liberated not because they look forward with hope to the establishment of permanent residence there but due to the fact that they think that when they are once there they might contrive later to emigrate from that territory to Palestine and to the United States whereas they have little hope of being able to emigrate from the Soviet Union directly.

DC/L:LCW:MEM
1/4/45

HARRIMAN

NOT TO BE RETRANSMITTED

SECRETCOPY NO. 4OPTEL NO. 422

Information received up to 10 a.m. 30th Dec. 44.

1. NAVAL

An MTB mined and sunk 28th/29th off Zeebrugge, another damaged while picking up survivors but reached harbour. At Piraeus situation yesterday reported quiet except for some shelling of Naval establishments: a ship berthed and discharged cargo for first time since hostilities began. Strike at Mitylene has ended.

An attack yesterday on U-Boat S.E. of Isle of Wight by two H.M. Frigates and one H.M. Destroyer. Early 30th a Wellington attacked a U-Boat in the channel and a U.S. Navy Liberator attacked one South of Cork.

Two U.S. Liberty ships torpedoed in convoy off Portland Bill yesterday.

2. MILITARY

Western Front Further progress Echternach area where our troops reported in possession of the town and closing up to the River Sure astride it. Third U.S. Army attack has gained more ground S.E. and S.W. Bastogne where enemy seems to be digging in. Patrols from Northern and Southern flanks of salient have met in St. Hubert without encountering enemy.

Burma Arakan. The troops which moved down Mayu River by boat have occupied Htizwe. Further North another force advancing down East bank Mayu has reached a point some eight miles North of Htizwe.

North Burma Chinese have occupied two villages about seven miles N.W. Namkhan.

Eastern Front Russians report local success Czechoslovakia. They have broken into Western part Budapest and mopped up enemy units in Danube elbow.

3. AIR

Western Front 28th/29th. Railway centres Munchen-Gladbach 752 tons and Bonn 905: shipping Oslo Fjord 330. Three Coastal Command Halifaxes scored two hits each with 500 pound bombs on two 5,000 ton tankers Skagerrak and set them on fire.

29th. Bomber Command dropped about 900 tons on two railway centres Koblenz and 86 on E/R boat pens Rotterdam. 780 U.S. Heavy Bombers - six missing, escorted by 697 fighters - six missing, but no enemy aircraft encountered, dropped 1,800 tons on railway and communication centres, bridges etc. Western Germany and in battle area.

1,200 fighters operated over battle areas and 189 aircraft flew reconnaissances: 23 Allied fighters missing, 32 German aircraft destroyed in action.

29th/30th. Bomber Command aircraft despatched, Buer oil plant 327 - four missing: Troisdorf railway centre between Cologne and Sieburg 187: other operations 77. Bombing at both main targets well concentrated.

Mediterranean 26th/27th. 42 Heavy Bombers obtained direct hits on Casarsa railway bridge 35 miles N.E. Treviso. 27th. 541 escorted Heavy Bombers - five missing bombed Vosendorf oil refinery near Vienna 82 tons, four railway centres Northern Italy 377. 244 Medium and 1145 light bombers and fighters attacked objectives battle area.

27th/28th. 33 Heavy Bombers obtained three hits on Susegana railway bridge 13 miles North Treviso.

28th. 504 escorted Heavy Bombers - three missing, bombed five oil refineries Southern Germany and Czechoslovakia 493 tons, 12 railway targets Southern Germany, Northern Italy, Austria and Czechoslovakia 678. Fighter scored 7:0:27 on the ground for one missing. 282 medium and over 970 light bombers and fighters - five missing, attacked targets Northern Italy and Yugoslavia.

4. HOME SECURITY

To 7 a.m. 30th.

Seven rockets reported.

Hand 303 ✓

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris
TO: Secretary of State, Washington
DATED: December 31, 1944
NUMBER: 1160

Last night in a personal and confidential conversation Bidault told me that they are still studying but have not yet reached definite conclusions on the position France will take regarding the future economy of Germany in general and German industry in particular. The French do not wish to see Germany reduced to economic misery as such action would undoubtedly cause trouble, but they believe that all war and near-war industries should be abolished in Germany. The Germans would become aggressive in some way. They want to eliminate the possibility of another German attack but want to include them as a part of the over-all European economy.

CAFFERY

EK-712
Distribution of true
reading only by special
arrangement. (SECRET W)

Paris

Undated

Rec'd December 31, 1944
10:34 p.m.

Secretary of State,
Washington.

1150

FOR WRB FROM HOFFMAN. FOR LEAVITT FROM SCHWARTZ.
CHARGE JOINT DISTRIBUTION COMMITTEE NEW YORK.

PLEASE forward to Arthur Greenleigh via airmail
all materials in connection with your central location
bureau. Including registration card and instructions
issued to participating agencies.

CAPPERY

JMS

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

JMM-793

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

Ankara

Dated December 31, 1944

Rec'd 11:35 p.m.

Secretary of State

Washington

2438, December 31, noon.

FROM KATZKI TO PEHLE WRB ANKARA 207.

As a result of Ambassador Steinhardt's prompt and repeated energetic interventions with the British Ambassador in Ankara, the latter requested and secured authorization from the British Foreign Office in London to issue Palestine entry certificates in Istanbul to the 630 emigrants proceeding from Rumania to Palestine and detained at Stalingrad Bulgaria (see Embassy's 2402). We are informed that as a result the British Embassy has now requested Turkish Foreign Office to admit these emigrants into Turkey in transit.

The British Embassy originally had taken the position that its decision to terminate the facilities heretofore made available by the Turks under the general agreement was final and must stand. It was as a result of Ambassador Steinhardt's insistent request that exception be made in behalf of these 630 refugees who were subjected to hardship through no fault of their own that the British Ambassador so recommended to the Foreign Office in London.

In explanation to Ambassador Steinhardt of his action in terminating the general agreement without notice to him and without knowledge that these emigrants were en route the British Ambassador stated that his notice of termination to the Turkish Foreign Office was given pursuant to specific instructions received from London and in the belief that British passport control officers who would be authorized to issue Palestine entry certificates had already arrived in Sofia and Bucharest. The complication, he stated, arose out of the non-arrival of these officers, a fact which was not known to him when notice of termina-

tion was given

-2- #2438, December 31, noon, from Ankara

tion was given (*) the te British Embassy attributed its failure to notify Ambassador Steinhardt or other interested persons to a regrettable oversight.

Apparently the British Embassy is now making every effort to correct the situation. The arrival of the refugees in Istanbul is expected shortly as soon as the complicated technical details have been arranged.

A full report will be dispatched to you by pouch.

STEINHARDT

WIB

(*) Apparent omission.

NOT TO BE TRANSMITTED

SECRETCOPY NO. 4CPTEL No. 423

Information received up to 10.a.m. 31st December 1944.

1. MILITARY

Western Front. East of Bastogne advance of up to 2 miles on 7 mile front and U.S. troops yesterday 2 miles from Wiltz. Further contact established with U.S. Division in Bastogne. West of Bastogne reconnaissance units are within 5 miles S.E. St. Hubert.

Fighting continues Rochefort. Slight U.S. advance to River Roer South of Elsenborn. Germans have launched small counter attack on village North of Geilenkirchen. Considerable patrol activity by both sides along Maas West of Hertogenbosch.

Italy An Indian Division, brought across to Serchio Valley as reinforcements, has established forward elements in Barga.

Greece Operations in Athens have continued successfully. Our parachute troops have cleared most of the Iroon district North of the Acropolis while in the South-Eastern suburbs British Infantry and Greek mountain troops have launched strong co-ordinated drive which has already met with success; 2 heights S.W. of the Stadium captured and progress made towards Viron district. An E.L.A.S. attack on Likavittos Mountain repulsed. In Epirus strong E.L.A.S. forces continue to press general Zervas and his E.D.E.S. guerillas.

2. AIR

Western Front 29/30th. Buer 1615 tons and Troisdorf 605.

30th. 1251 escorted U.S. heavy bombers dropped 3100 tons on railway centres and bridges behind the area of German counter offensive.

Pathfinder technique employed, results unobserved.

8 Bombers missing, 7 Fighters outstanding but 4 believed safe Allied territory.

95 Medium Bombers and 106 Fighter Bombers dropped 305 tons on railway centres, supply dumps etc.

Southern Sector. 528 Fighters attacked defended towns and communications Central sector dropping 226 tons and a further 462 Fighters flew offensive patrols and reconnaissances; 70 tanks, 1592 road and rail vehicles and 69 locomotives destroyed or damaged. Enemy casualties 5:3:1, Ours 7 Fighters missing.

30th/31st. Bomber Command aircraft despatched: Cologne (Kalk) Railway centre 470 - 2 missing; Houffalize, N.E. of Bastogne 166 - Landing reports not yet available. Hanover 68; Bomber support 61; Other operations 28.

Mediterranean

29th. 446 escorted heavy bombers dropped 952 tons railways Southern Germany, Austria and Northern Italy. Many targets bombed visually with good results. 1076 medium Light and Fighter

-2-

Bombers and Fighters attacked supply centres, communications etc. Northern Italy with good results. 38 Heavy Bombers and 2 Fighters outstanding but some known landed Allied territory.

2. HOME SECURITY .. to 7.a.m. 31st.

11 Rocket incidents.