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July 27, 1944
9:30 a.m.

GROUP

Present: Mr. D. W. Bell
Mr. O'Connell
Mr. Glasser
Mr. Pehle
Mr. Haas
Mr. Gaston
Mr. Blough
Mrs. Klotz

H.M.JR: John, what happened to that case on Hungary?

MR. PEHLE: Do you want the story here?

H.M.JR: Yes.

MR. PEHLE: A man named Bogdanffy sent a telegram from California about two weeks ago and said he had a plan to do something on the Hungarian situation. I think the telegram was addressed to you. In any event, it came to me and I sent him a telegram suggesting he put it in writing, but instead he came on by plane. He later went to New York and I think he has a business there. This fellow Bogdanffy was a Hungarian, quite wealthy. He was in charge of all Hungarian exports. He was the head of a monopoly and his dealings for many years were with a fellow named Braun, who is a German and a very bad one, who during that period of time was in Hungary a great deal and who promptly got in his pay any person in the Hungarian Government who was kicked out for one reason or another and who was at odds with the Horthy Government. By the time the Germans went in, he had a whole retinue on his payroll of people who were unfavorable to the Horthy Regime. This fellow Braun has a great deal to say about what goes on in Hungary.

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Bogdanffy wanted to go to Lisbon and meet Braun. He said he could do business with Braun, that he had in effect bribed him before and he could do it again. That whole question of meeting German agents is a very difficult one and one on which both this Government and the British are very, very careful at the present time, because anything that would indicate to the Russians that we were meeting Germany separately would be highly dangerous, to put it mildly. Besides, Bogdanffy has a FBI record a mile long and the reason that he knows all this is because he has been dealing with the Germans for years. He may be a reliable person, and he may not be. He may want to go to Lisbon on this, or on a lot of other things. In any event, he was in here yesterday and we are attempting to use his contacts through a man who is in Hungary, who is reliable, without sending him any place.

In other words, to take full advantage of what his contacts and suggestions are but not staking anything as far as this country is concerned on the reliability of this man. That is the short story.

H.M.JR: Mr. Sulzberger said he couldn't vouch for this man, but I think the lawyer was a reputable man.

MR. PEHLE: Yes, he is reputable, and several people say this fellow is reputable, including Mr. Travers of the State Department who knew him in Hungary when Travers was there. And Bogdanffy may be all right, but I for one, would be very reluctant to have us endorse his going to Lisbon to meet a Nazi agent.

MR. D.W. BELL: How old is Braun?

MR. PEHLE: I don't know, Dan, about forty or fifty years old.

MR. D.W. BELL: The reason I asked, we have some correspondence with a fellow named Braun. I think it is the same one, who after the last war during the settlement of the war claims, 1928 and 1929--I am sure he is quite a character.

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MR. PEHLE: This man is.

H.M.JR: Well, I was just curious in case I should--

MR. PEHLE: I have a memorandum being prepared for you.

H.M.JR: You follow your own judgment. Sulzberger called and gave me a wonderful opportunity to pay my respects to the New York Times Editorial Board. Did you read what I said to them?

MR. GASTON: No.

H.M.JR: I told them, what is the matter with you people? You torpedoed what they are trying to do at Bretton Woods before we start.

MR. GASTON: That's what they did.

H.M.JR: Did you read the editorial?

MR. D.W. BELL: Read yours? No.

MR. GASTON: Did you read the first of two articles about Arthur Krock in the Saturday Evening Post?

H.M.JR: No, have there been two?

MR. GASTON: No, just one. Yesterday. There is to be one more.

H.M.JR: What is the first one?

MR. GASTON: By Matthew Josephson. It is called "Typewriter Statesman". It is about Arthur Krock.

H.M.JR: Oh, about Arthur Krock.

MR. GASTON: Yes, by Matthew Josephson. This weeks Saturday Evening Post is the first article.

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H.M.JR: I can take that with me, too.

You and I knew Arthur Krock when he came up from the Louisville Courier to help run the first 1912 campaign for Swope.

MR. GASTON: Yes.

H.M.JR: And when Swope wouldn't stand some of his nonsense.

MR. GASTON: Well, he quickly became attached to Ralph Pulitzer as being one notch higher up and began undercutting Swope in that he wasn't as strong as he thought he was.

H.M.JR: Well, of course the ambition of Krock's life was to be Editor of the New York Times.

Dan?

MR. D.W. BELL: We have according to present reports, all but thirty-two million of the two and a half billion certificates which was about ninety-eight and a half percent. Last time they doubled up on us and made some mistake. We didn't get quite as many as we thought we would. But present reports indicate that about all came in. We have gotten nineteen billion nine hundred and two million on the Drive. We have gotten five billion, seven hundred and seventy-six million of individuals. At least two hundred and twenty-four million yet to go to get the six billion dollar goal. I don't think there is any doubt about what we will get that and probably a little over. Ought to be around six billion, one. E Bonds, two billion five hundred and thirty-seven. We won't make that. We have four hundred and seventy-three million yet to go. We will not make that.

I see Charlie Bell isn't here today. I don't know what the policy is with respect to closing on hot days. I think we have some buildings around where we ought to let people go this afternoon, if it is at all possible. I think there

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was some policy established by McReynolds.

H.M.JR: Well, it was established by me.

MR. D.W. BELL: I think it came out as a Presidential Policy.

H.M.JR: Well, if it is another hot day, today, Charlie Bell can handle it.

MR. D.W. BELL: We have some buildings around that are unbearable, this Belasco Theatre. If it stays this hot, I think we are going to let some of them go.

H.M.JR: I think so.

MR. D.W. BELL: That's all I have.

MR. PEHLE: There was another proposal, Mr. Secretary, of the same type that came from a German who wanted to meet Schwartz of the JDC in Lisbon. We just got word of it this morning and the British have taken a very, very strong attitude against it and have said that this previous matter that we were concerned with about the man that the Germans let out in the German plane, they have now discovered to be a German attempt to start peace proposals with the United States.

H.M.JR: What man?

MR. PEHLE: Brandt, his name was, who came from Hungary in a German plane with a Gestapo man, but that was an attempt on the part of the Germans to lead up to peace proposals with the United States and Great Britain, leaving out Russia, and the British are very concerned about it. For that reason they gave the whole story out to the press.

H.M.JR: They have reason to be, because you have to ask yourself this question: The Russians will be in Berlin in the not too distant future. Are they going to stop fighting and make peace with the Germans and let us do the rest?

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These State Department people couldn't understand why I was just decent to the Russians. I kept saying over and over again that the Russians are going to be sitting in Berlin and they will say, "Listen, the last conference, what did you do, you hit us on the nose and you kicked us in the shins". But they can't say that. But they will be sitting there and Mr. Roosevelt is going to say, "Please, may I come in to Berlin and sit there, too?"

MR. GASTON: We are vulnerable to a separate peace, not the Russians.

H.M.JR: And these dumb-clucks in the State Department can't see that.

MR. GASTON: I don't see how anybody could miss that.

MRS. KLOTZ: If you saw them in action--

H.M.JR: Dean Acheson said to me at a dinner which Tobey gave, "I just want to say, Henry, that I think you have handled this Russian thing very badly, you have been far too generous with them, and so on and so forth, in letting them have this twelve hundred million quota on the Fund, I think you are completely wrong". He told the same thing to Keynes, told Keynes that the thing would be a failure and then the night when the Russians came through, he came around and said to me, "I was completely right, you have a sixth sense of intuition on these things which I don't understand. I don't know where you get it, but you have a sixth sense of intuition."

But there he was with a whole group back of him, and we are the people who have to worry, not the Russians.

MR. GASTON: Sure.

H.M.JR: Supposing Stalin says, "Well, maybe I will and maybe I won't let you come to Berlin. I am going to handle this thing".

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MR. PEHLE: That's why I feel we shouldn't do anything that indicates to the Russians--

H.M.JR: That's what I am saying.

MR. PEHLE: We are being very careful about it.

H.M.JR: Will you make a note I want to take today's Times with me? I want to read Mr. Hull's message on the Argentine. (To Mrs. Klotz)

MR. PEHLE: I am not sure the message was given out.

H.M.JR: Yes, today, in Montevideo. And then I suppose, having given it out, they forced the hand in today's New York Times.

Who follows this Argentine thing for me, Joe?

MR. O'CONNELL: In my shop it would be Joe DuBois.

H.M.JR: Supposing you ask Joe to just give me a one-page summary on that thing?

MR. O'CONNELL: Sure, I can get it for you very shortly. I have read it in part but not all.

H.M.JR: Well, ask Joe.

MR. PEHLE: Well, the Treasury record on Argentina looks better every day.

H.M.JR: Mr. Blough, I hear your meetings are going along very well, according to Mr. Daniel Bell?

MR. BLOUGH: Yes, we got a little unfavorable or unfortunate publicity out of the first meeting. I think we will endeavor to take steps to avoid that.

H.M.JR: I didn't see it.

MR. BLOUGH: Only that the group that came in, this group from Minneapolis and St. Paul, talked to the reporters

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afterwards and gave the story out in such a way that it looked like their plan was really going to be the basis for the final plans to be set up. I don't think it was too bad and I think that can be handled.

H.M.JR: Bell was telling me last night that you have one meeting here and one meeting on the Hill which I think is splendid. Any Congressman sit on that?

MR. BLOUGH: No.

H.M.JR: Make I make a suggestion as a lesson from Bretton Woods, that over my name, a letter be sent to all the members of the Finance Committee of the Senate, to all the members of the Ways and Means of the House that these meetings are taking place and that we will advise them from time to time the schedule, and we will be delighted to have them sit in on the meetings at any time they care to?

MR. D.W. BELL: Well, you see this is a sort of build-up for the Joint Committee meeting which will take place when they come back to town.

H.M.JR: I know, but some of them may be here.

MR. D.W. BELL: I think it is understood by the Joint Committee.

MR. BLOUGH: Well, I think we ought to think about it carefully and get in touch with George and Doughton, because this is being done at the request of the Joint Committee and whether they want the others in--

H.M.JR: All right. You ask them and put it on the basis of having a Congressional Delegation sit in on that level. It was most helpful at Bretton Woods, and I would like to invite these people to sit in whenever they are in town. Now I am telling you I am right.

MR. BLOUGH: I am sure you are right about having them in and I think the only question is how you go about getting them in.

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H.M.JR: I have no objection to your talking to George and Doughton first, but I have seen it when these fellows are there when the policy is being made at the Atlantic City level of the thing, they feel entirely different than if the thing comes up to them in the final package. I think that is one of our troubles, and I am going to insist that when we are doing the thing at that level, we invite these people in. If they don't want to come in, it is all right, but I am telling you they like it.

MR. D.W. BELL: Now, Doughton was thinking of attending the first meeting.

MR. BLOUGH: He didn't get back.

MR. D.W. BELL: But that was arranged that he would, if he was here, attend the first meeting, and the other members of the Committee have a right to come in.

H.M.JR: Then you wouldn't want the Joint Committee to come in.

MR. D.W. BELL: It is a joint committee affair and I would leave it to the two chairmen.

H.M.JR: Will you put it up to them and tell them I found it so helpful to have these fellows in? Okay?

MR. BLOUGH: Fine. I am quite in favor of it. It is just a question of not getting ourself crossed.

H.M.JR: It is new, it is different, it worked. They loved it.

MR. BLOUGH: To a more mundane point, you wanted something on Gunnar Myrdal. Here is the page and the material on which it is based.

H.M.JR: Thank you very much.

(Mr. Blough hands Secretary memorandum concerning Myrdal)

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MR. BLOUGH: That's all I have.

MR. GASTON: The French negotiations are coming to a climax, and I just wondered if there would be an opportunity to see you, if we have to, before you leave today?

H.M.JR: Yes, but you are going to have to talk fairly fast. When do you want to see me?

MR. GLASSER: I don't know whether Mr. Bell agrees, but I think there is going to be a point where we will have to take a position that we want to stick to and I think if we take irreconcilable position that we should have your approval and be able to quote you as having taken that position.

H.M.JR: If you don't mention names, there is no reason why when I have this damned artist in here, you people can't sit in here and talk.

MR. GLASSER: Mr. Bell, would you be ready?

MR. D.W. BELL: Sure, I am ready.

H.M.JR: Hilldring and McCloy are coming at ten. I have set aside half an hour.

MR. D.W. BELL: It would be a good time to take it up.

H.M.JR: How would you have a better time?

MR. D.W. BELL: Couldn't have. It is only a question of one word in a paragraph. It is a very important word.

MR. GASTON: Yes or no.

MR. D.W. BELL: It is the word "civilian".

H.M.JR: Ten o'clock and you have a half hour.

MR. GLASSER: Right.

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H.M.JR: Did anybody talk to White about getting a couple of fellows to London?

MR. GLASSER: No, Mrs. Shanahan spoke to White and White said if a decision is necessary, talk to me about it and if the decision can't be made by Glasser and Bernstein and only if it can't be made by them, talk to him about it, because he is not feeling well, he has a bad cold and he didn't want to hear anything. So Mrs. Shanahan just put it off and I didn't want to press it.

H.M.JR: Can Glasser and Bernstein decide?

MR. GLASSER: Glasser and Bernstein can.

H.M.JR: Okay.

MR. GLASSER: We will have an answer in a day or so.

H.M.JR: What else?

MR. GLASSER: That's all.

MR. HAAS: I have nothing this morning.

MR. O'CONNELL: This Joe DuBois matter would ordinarily come to you from Charlie Bell, but he is at the doctors this morning. It is about the only chance we have to get you to sign it. I have already told Joe.

H.M.JR: You will handle it?

MR. O'CONNELL: Yes, with Charlie when he comes back. Ordinarily I would clear it with Charlie first.

(Secretary signs letter appointing Mr. DuBois as Assistant General Counsel)

H.M.JR: Right. Thank you. Anything else, Joe?

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MR. O'CONNELL: That's all.

H.M.JR: Did you get the word about Will Clayton?

MR. O'CONNELL: No.

H.M.JR: Well, he was in and he went over and called on a Mr. Brownlee.

MR. O'CONNELL: He is the top man on the price side.

H.M.JR: He is formerly of the Frankfort Distillery and General Foods. He told Brownlee the story and Brownlee sent for the Chief Counsel and the result of that meeting, those men recommended that--Bowles was out of town--that they would tell Bowles to appoint a committee of three, composed of Brownlee, the Chief Counsel and a third person who would sit on this thing with Olrich and decide it. They are confident that Bowles would accept that recommendation.

MR. O'CONNELL: That's a step forward. It all depends on who the third man is.

H.M.JR: He didn't say. Brownlee, Field and somebody else, and they would be given power to act.

MR. O'CONNELL: That's all right. That ought to, at least for the time being, satisfy Olrich.

H.M.JR: Charles Bell will communicate that to Olrich and Clayton is very much disturbed about it. He doesn't want the disposal of surplus property in his lap.

MR. D.W. BELL: I thought you meant he was disturbed about the setup.

H.M.JR: Oh, no.

MR. O'CONNELL: He want to keep Olrich.

H.M.JR: This is very much in the room. He said he was thinking of taking a man by the name of John Loeb over as his Assistant and he said to me, "Do you know

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anything very bad about him?" So the answer was "No", but if he had said "Do you know anything about him", I would, being a conscientious fellow, have talked, but I said, "No." "Goodbye", and he ran before I could say anything! He was on his way before I could talk.

MR. GASTON: Very bad means a felony, isn't that right?

MR. O'CONNELL: In that category.

H.M.JR: So I said, "I have just one request, that he isn't made liaison between you and the Treasury". He said, "No". I said, "That's all right". But it was very funny. He got up so quickly. He didn't want me to say anything, you know.

MR. GASTON: I haven't anything.

H.M.JR: I guess that is about all. I will be ready at ten o'clock.

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

DATE July 27, 1944

TO Secretary Morgenthau

FROM J. W. Pehle

On July 14 Eugene Bogdanffy telegraphed from Los Angeles that he believed that he had a plan that would save the Jews in Hungary and asked with whom he should speak. I wired Bogdanffy to communicate his plan to me. Mr. Bogdanffy replied that he preferred to come to Washington, and requested that we secure him an air priority. This we did, and on July 20, a conference was held with Mr. Bogdanffy. The previous day, Dr. Erno Wittmann, a former Budapest lawyer with whom the Board has long been in contact, told Mr. Lesser that he had received a letter from a Hungarian refugee in Los Angeles proposing a plan for the rescue of Hungarian Jews. The writer was Mr. Bogdanffy. Briefly, the plan, according to Dr. Wittmann, was that Mr. Bogdanffy go to Lisbon and there arrange to meet and bribe Otto Braun, the chief of the Gestapo in Hungary. Dr. Wittmann said that in Hungary Mr. Bogdanffy had been an exporter of foodstuffs and as a consequence had become well acquainted with Braun who for some time had been charged by the German Government with importing Hungarian foodstuffs. As a result of this conversation, we were not surprised when, the next day, Mr. Bogdanffy told us of his plan.

Mr. Bogdanffy said he knew that Braun could be bribed and was in a position to keep any promises he might make. Mr. Bogdanffy, however, did not make any specific proposal as to how or by whom Braun should be contacted. Specifically, he did not propose that he himself go to Lisbon.

Thereafter, you received from Chauncey Waddell a telegram and letter, both dated July 24, the latter enclosing Dr. Wittmann's memorandum concerning Mr. Bogdanffy and the proposal to bribe Braun. Mr. Waddell is a son-in-law of former Chief Justice Hughes. Before receiving these communications, however, a further conference had been set with Mr. Bogdanffy for July 26, to discuss the possibility of acquiring some of Mr. Bogdanffy's pengo assets.

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At this conference, Mr. Bogdanffy said that Dr. Wittmann and other Hungarian refugees in New York, knowing of his close relationship to Braun, were importuning him to go to Lisbon himself to contact Braun. Mr. Bogdanffy stated that he was most reluctant to leave this country, but that if he could get a re-entry permit, and if some member of the Board's staff would go with him so that there could be no question as to what he was doing, he would consider making the trip. Mr. Bogdanffy said that if he got to Portugal he would attempt to contact the manager of one of his Hungarian enterprises and get him to come to Lisbon. He said that he could entrust the manager with handling the matter with Braun in Hungary. As to the pengo transaction, Mr. Bogdanffy said that the Union Bank of Switzerland was his trustee and that if he could get a message through to a Mr. Schaeffer, a manager of that bank in Switzerland, discreet arrangements could undoubtedly be made for the transfer for as many pengos as might be needed. Mr. Bogdanffy did not think highly of our counter-proposal that a message be sent to Braun in his name and that discussions be held with Braun by some one in our confidence. Mr. Bogdanffy was told that we would think the matter over. He is returning today for further discussion.

A handwritten signature in dark ink, appearing to be 'J. Paul' or similar, with a large, stylized initial 'J'.

July 27, 1944
12:24 p.m.

Operator: Go ahead.

HMJr: Hello.

Ted
Gamble: Good morning, Mr. Secretary.

HMJr: How are you?

G: Fine, thank you, sir. How are you?

HMJr: Well, I'm surprisingly well.

G: I'm glad to hear it.

HMJr: I'm in a very good humor and full of beans.

G: Well, I'm glad to hear that. Well, the Conference, from all accounts out here, turned out very well.

HMJr: Surprisingly well.

G: The Western papers gave it very good press.

HMJr: Well, that's good. And I just wanted to tell you, now, Bell and I feel that we shouldn't get down to brass tacks on the Sixth War Loan for some time yet.

G: Yes.

HMJr: Until we see how these war expenditures go and I told that to the press this morning. I wanted to talk to you before I had a press conference but I couldn't get you.

G: Yes.

HMJr: But somebody -- or somehow it got out that November 11th was going to be the Sixth -- this loan was the Victory Loan.

G: Yes. Well, I think that that needs to be counteracted. That started while you were away, you know.

HMJr: Well, what I told the press this morning was that we had enough money to run us through -- into -- into November.

G: Yes.

HMJr: We know that and that we were going to sit back and wait awhile and see how the war expenditures went.

G: Yes.

HMJr: Now, you're going -- they tell me you'll get back next week.

G: I get back this coming week-end, yes, sir.

HMJr: Well, if you want anything from me, I'll be on the farm.

G: Yes.

HMJr: But Bell and I both feel, subject to your thinking it over, that for a month or so we shouldn't do anything.

G: Well, I agree a hundred percent with that, Mr. Secretary, and I'll tell you why I agree with it.

HMJr: Yes.

G: We've had a tough time with this drive, a lot tougher than anybody realizes.

HMJr: Yeah.

G: Despite the fact that we got a lot of money,

HMJr: Yeah.

G: People had to work twice as hard to sell as many bonds this time as they sold the last time.

HMJr: Yeah.

G: In the E Bonds I'm talking about -- the fellows that sold the twenty-five and fifty dollar bonds.

HMJr: Yeah.

G: And there was a resistance to bond-buying that was attributable to the public reaction to the invasion, and so forth.

HMJr: Yeah.

G: Now, as we get along towards the end of the war, I think we have to be very careful and very sure before we take a step. And I certainly agree with you. I think we ought to watch the war and we ought to watch the expenditures, and maybe make a decision by -- oh, if we can make a decision by -- forty-five days from now is time enough for us to make it.

HMJr: Well, I'm glad you felt that way because the last time I saw you, if you'll remember, you wanted to make a decision right away.

G: Well, the -- as to the date itself, Mr. Secretary, I -- I never thought that we had to make it that soon.

HMJr: No.

G: After having come around the country

HMJr: Yes.

G: and realized -- I was concerned about whether these fellows in a couple of places had worked as hard as they should have or not. I'm going to tell you after seeing what these people have done, I'm convinced we have a big job ahead of us in the Sixth War Loan and I think we ought to be very careful before we jump.

HMJr: Well, I

G: Very sure before we jump.

HMJr: Well, I agree with you and I think that we ought to be very careful.

G: Yes. Well, I'll -- I'm -- I'm completely in accord with that, sir.

HMJr: Well, that's all

G: It's all right with me.

HMJr: And did you get any rest at all?

G: Well, I haven't yet.

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HMJr: Well, are you attending -- have you had a chance to attend to your own business?

G: Yes, and I have had -- very successfully wound up a number of things that were bothering me.

HMJr: Good.

G: And I've gotten them all out of the way and I'm leaving this morning.

HMJr: Oh, are you?

G: I leave in an hour for Los Angeles. I have a meeting in Los Angeles tonight....

HMJr: Oh.

G:with our people there.

HMJr: Oh.

G: And then I'm flying to the -- back to Washington over the week-end.

HMJr: I see. Well....

G: I'll be back there Monday morning.

HMJr: Is your family all right?

G: My family is all up in Cape Cod.

HMJr: Good.

G: Where it's cool.

HMJr: Good. Because the heat here is just unbelievable.

G: I know. It was terrible before I left there.

HMJr: Yeah. Well, I'll be talk

G: There's a little matter I might talk to you about while I have you on the phone.

HMJr: Yes.

- 5 -

G: You know one place where we had a little grief this time, despite the fact that we had a much better operation, was in New York.

HMJr: Yes.

G: And we've jockeyed that picture around up there to where Ford is now going to get out.

HMJr: Oh, you make me cry.

G: (Laughs) And we're going to get out of the stiff-shirt department.

HMJr: Going to what?

G: Get out of the stiff-shirt department.

HMJr: Oh, I don't believe it.

G: Well, this is true. (Laughs) Now, the man we want is Pehli.

HMJr: Well, you'd better talk it over. You know the Government has got a suit against The Chase.

G: Well, I -- I understand that.

HMJr: I'll have to see Haley -- is that his name?

G: Pehli, P-e-h-l-i.

HMJr: Well, I'd have to see you and him together and if it's -- when you get back you ask Bell what my plans are for the next three weeks and he'll tell you.

G: Fine.

HMJr: Now, if you want -- if it has to be decided in the next three weeks, you'd better come up and see me.

G: Well, I think we'd better do that then.

HMJr: Well, Winthrop Aldrich....

G: I don't want any grass to grow under this one. I don't want to get trapped again.

HMJr: Well, Winthrop Aldrich is the spearhead that's fighting us on this Bretton Woods thing.

G: He is?

HMJr: Yeah.

G: That's too bad.

HMJr: Yeah. But anyway you -- you'll be back Monday and you talk to us.

G: All right, Mr. Secretary.

HMJr: Thank you.

G: It's nice to talk to you.

HMJr: And I think you did an amazingly good job and I'm simply delighted and I want to thank you and congratulate you.

G: Well, we had lots of good help from everybody, including yourself, and

HMJr: Well, you did

G: I didn't do anything but support.

HMJr: Well, you did a superb job.

G: I'll tell you one thing, Mr. Secretary, I think you ought to know and that is that the people around the country for the most part worked their heads off this time.

HMJr: Yeah. Well, they had good leadership. There's a little lady here that sends you her very best regards.

G: Well, give her my very best.

HMJr: All right.

G: All right, sir.

HMJr: Bye.

G: Bye.

SECRETTHE WHITE HOUSE
WASHINGTON

27 July 1944

MEMORANDUM FOR:

The Secretary of the Treasury

The message quoted below has been received via White House Map Room Communications Channels for transmission to you:

"From the President for the Secretary of the Treasury.

"Congratulations on the successful conclusion of the Bretton Woods Conference."

RICHARD PARK, JR.
Colonel, GSC

July 27, 1944

TELEGRAM FOR THE PRESIDENT

Thank you very much for your message of congratulations on the successful conclusion of the Bretton Woods Conference. The spirit of cooperation amongst the 44 nations and Denmark was superb, and I think it augurs very well for the future. Thank you for giving me this opportunity. Best regards.

Henry Morgenthau, Jr.

*Sent by S.S. to Map Room -
2:30 - 7/27/44 -*

JUL 27 1944

My dear Mr. Freeman:

I am happy to have your congratulations and your generous comment on the Bretton Woods Conference.

It seems to me that something really substantial was accomplished and I am immensely cheered to know that you feel the same way about it.

The main thing that encourages me is that the people there all wanted to work together and get something done. I think that's a mighty hopeful sign.

With cordial regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. D. S. Freeman,
The Richmond News Leader,
Richmond, Virginia.

HEG:aja
7/26/44

WBY

THE RICHMOND NEWS LEADER

RICHMOND, VIRGINIA

25th July, 1944

OFFICE
OF THE EDITOR

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

Dear Mr. Secretary:

My heartiest congratulations to you on the outcome of the
Bretton Woods Conference, on your leadership there, and
on that magnificent summary you issued when the Conference
closed.

You have been tall a long time; you are getting taller
every day.

I know your old father is proud of you. I am; the Nation
is.

Faithfully yours,

D. S. Freeman

D. S. Freeman

DSF/w

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 26, 1944

TO Miss Chauncey

FROM Mr. Gaston

Douglas Southall Freeman is one of the big men of the South. He is the author, among other things, of the authoritative, four-volume Life of Robert E. Lee and is generally an authority on American history, military history, and the South. A letter from him really means something.

RG

JUL 27 1944

My dear B. M.:

I'm glad you found me on the radio Saturday night and that it stimulated you to write. The results at Bretton Woods were excellent and I think they show we can really get somewhere in international organization. Even the Republicans who were there came away enthusiastic. Our next problem is to educate a few bankers; and perhaps you can help there. Ned Brown is already at work.

The outcome of the South Carolina primary certainly makes you a good prophet if nothing more. I think you did a praiseworthy deed in helping Cotton Ed to get a well-earned retirement.

What we hear from and about Henry is good. Like you, we don't hear often enough. I hesitate to tell him to write to you for fear it will rob us of a letter.

Klinor and I both appreciate greatly your interest in and good wishes for both the boys.

Sincerely,

(Signed) H. Morgenthau.

Mr. B. M. Edwards,
President,
The South Carolina National Bank,
Columbia, South Carolina.

HES:aj
7/27/44

THE SOUTH CAROLINA NATIONAL BANK

CENTRAL OFFICE

COLUMBIA, S.C.

B. M. EDWARDS
PRESIDENT

July 24, 1944

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

Dear Mr. Morgenthau:

Saturday night I was lying on the bed by my radio and was turning the dial to see what kind of news I could pick up, and shortly after 11:30 I picked up some station up in New England and heard a voice that sounded entirely familiar and recognized that you were broadcasting from Brettonwood, and of course I stayed with it and enjoyed hearing you and think you made a most wonderful presentation of the situation.

I hope that everything is going well with you and Mrs. Morgenthau and the family. We haven't heard from Henry except once since he left Columbia, but I recall that he told us before he went away that he was very poor about writing and said that you and Mrs. Morgenthau had complained several times about his failure to write home. I imagine he is pretty busy now and helping to carry on the war, but I do hope that both of your boys will come through in good shape and with glory.

I have missed seeing you during the past several months--as a matter of fact, I haven't been to Washington since the early part of March and train travel is so bad now that I just don't go anywhere if I can possibly avoid it. I hope, however, that I may have the pleasure of seeing you sometime soon, and in the meantime if it should develop that I can be of assistance or can cooperate at any time, I am with pleasure at your command.

If you have the opportunity sometime I wish you would say to the President that we are having a primary election here in South Carolina tomorrow and I don't believe that "Old Cotton Ed" Smith will be bothering anyone around Washington after January 1st. At least you can say to the President that if Smith should return to Washington, that he is certainly going back without any support or help from me, and if we should be fortunate enough to keep him from returning, then you may also say that I probably had something to do with it.

With my sincere regards and best wishes, I am

Cordially yours,

B. M. Edwards

BME:mtb

JUL 27 1944

My dear Mr. McCabe:

With the successful conclusion of the United Nations Monetary and Financial Conference at Bretton Woods, I take this occasion to thank you for your attentiveness to Mrs. Morgenthau and me, as well as to members of my staff, during the period of the conference.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Arthur E. McCabe
Post Office Box #1334
Boston 4, Massachusetts

OSB/mhg 7/26/44

JUL 27 1944

My dear Miss Triano:

My Administrative Assistant, Mr. Bell, has informed me of the splendid work you did at the United Nations Monetary and Financial Conference at Bretton Woods and I take this occasion to extend to you my personal thanks for the many administrative details handled by you.

Sincerely,

(Signed) H. Morgenthau, Jr.

Miss Anne Triano
Bureau of Internal Revenue
Room 1003, Channin Building
42nd Street and Lexington Avenue
New York, New York

CSB/mhg 7/28/44

JUL 27 1944

My dear Miss Agnew:

Mrs. Morgenthau joins me with sincere appreciation for the assistance given my Administrative Assistant, Mr. Bell, in arranging the very bright little party in the Cave Room on Thursday, July 20th, which I am sure was enjoyed by all who attended.

Sincerely,

(Signed) M. Morgenthau, Jr.

Miss Anne Agnew, Social Director
Mt. Washington Hotel
Bretton Woods, New Hampshire

CSB/mhg 7/26/44

JUL 28 1944

My dear Paul:

It had been my intention to thank you personally for the splendid dining room service rendered by you and others at the Mt. Washington Hotel during the period of the United Nations Monetary and Financial Conference and, since this was prevented owing to my hasty departure, I take this occasion to extend my appreciation.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Paul Faenzer
Mt. Washington Hotel
Bretton Woods, New Hampshire

CHB/mhg 7/28/44

Paul

C
O
P
Y

July 27, 1944

TO MR. DELANO:

I discussed with the Secretary the matter of allowing a branch at Somerton, Yuma County, for the First National Bank of Arizona at Phoenix. I told him that the First National Bank served the entire community of Yuma County; that Somerton was a community of about 1400 population and was entitled to banking services closer than twelve or fourteen miles; that there was no likelihood of getting any local capital for a local institution, and that there was no question of competition; and while the First National Bank is about 70% owned by the Giannini interests, we recommend that this bank be permitted to establish a branch at Somerton. I told him also of your conversation with Mr. Eccles and his opposition to giving the Giannini interests anything.

The Secretary said that he would accept our recommendation and we could go ahead and establish a branch.

(Initialed) D. W. B.

33-A



TREASURY DEPARTMENT

WASHINGTON 25

July 27, 1944



MEMORANDUM TO THE SECRETARY

Attached is the experience record
of Lee Rollins Fleming, Head of the Textile
Division, for the Surplus Property Division.

E. L. Olrich
E. L. Olrich
Assistant to the Secretary

Attachment

July 27, 1944

LEE ROLLINS FLEMING
(HEAD, TEXTILE DIVISION, SURPLUS DISPOSAL ORGANIZATION)

Business Experience:

- 1915 - 26 Salesman and later Sales Manager
Flyer Garment Company
Ft. Smith, Arkansas
(Manufacturers of textiles)
- 1926 - 28 Special Sales Manager
Larned-Carter Company
Detroit, Michigan
(Manufacturers of textiles)
- 1928 - 31 Salesman
Buckeye Overall Company
Versailles, Ohio
(Manufacturers of textiles)
- 1931 - 34 Factory Manager
Carson, Pirie, Scott & Co.
Chicago, Illinois
(Wholesale Dry Goods)
- 1934 to Present
General Manager
Zion Mills
Marshall Fields
Chicago, Illinois
(Manufacturing and selling textiles)

- 2 -

Offices Held: Member of the National Speakers Bureau
of the Association Advertising Clubs
of the world.

Member of the Executive Planning Committee
of Marshall Field & Co., Manufacturing
Division.

Writing:

Has been a contributor of articles on
business management and methods to the
following national magazines:

Printers Ink
Sales Management
System

33-D



TREASURY DEPARTMENT

WASHINGTON 25

July 27, 1944



MEMORANDUM TO THE SECRETARY

Attached is the experience record of Albert Wesley Frey, Deputy Director, Industry Advisory Committees, General Trade Relations, Personnel, Research, and Publicity, for the Surplus Property Division.

A handwritten signature in cursive script, likely "E. L. Olrich", is written over a diagonal line.

E. L. Olrich
Assistant to the Secretary

ALBERT WESLEY FREY
(DEPUTY DIRECTOR, INDUSTRY ADVISORY COMMITTEES, GENERAL
TRADE RELATIONS, PERSONNEL, RESEARCH, PUBLICITY)

1920 - 21 Instructor in Economics, Dartmouth College

1921 - 44 Professor of Marketing, Amos Tuck School of
Business Administration, Dartmouth College.
(Subjects - Marketing, Merchandise Management,
Advertising, Retailing)

1930 - 37 Assistant Dean, Amos Tuck School

1941 - 42 Instructor in General Management

1942 - 43 Instructor in Organization

Chairman of Research and Publicity Committees, Amos Tuck
School. Assistant Personnel Officer.

Business Manager, Dartmouth Alumni Magazine, 1924 - 1933.

Class Agent, Dartmouth Fund, 1922 - 1944.

Consultant to various small business concerns.

Author: Merchandise Control
Manufacturers' Product Package and Price Policies
Trade paper articles

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 27, 1944

TO Mrs. Klotz

FROM Mr. Shaeffer *W.P.S.*

Will you please inform the Secretary that Dr. White's office confirmed his statement that this Government is not buying silver from Mexico?

*I want to read this
when I return*

July 27, 1944

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough.

Subject: Address by Gunnar Myrdal on "Economic Developments and Prospects in America"
(Information submitted in response to your request)

Dr Gunnar Myrdal, noted Swedish economist and author of several studies on American economic and social conditions, addressed the National Economic Society of Sweden on March 9, 1944, on the subject of America's postwar economic prospects.

Dr. Myrdal was in this country during October - December, 1943 completing some work on a study of the American Negro and inquiring into this country's postwar plans. His remarks in this address are to be extended into a book, Warning Against Optimism. This book which was mentioned in the P. M. article of July 24th is as yet unpublished.

Dr. Myrdal's address is directed against the "surprising optimism" he found among American businessmen and economists regarding the postwar period. He states that this country's postwar discussion reflects an "economic dilemma" in that there is a desire both to carry over into peacetime the high activity of the war period and to replace state regulation by "free enterprise."

Noting the widespread campaign for tax reductions after the war, he predicts that "there will not for a long time to come, not during this decade anyhow, be a balanced budget in America."

The final conclusions of Dr. Myrdal's address are gloomy. He predicts a business slump within the period of half a year to three years after the war, a slump which may develop into "a culmination of the deflationary crisis of the early Twenties and the gigantic crisis between 1929 and 1932." Moreover, he foresees a severe crisis of overproduction in agriculture after a few years of shortage and high prices following the end of the war in Europe, and also the possibility of serious conflict between employers and employees.

A slightly condensed translation from the Swedish of Dr. Myrdal's address is attached.

RB

NATIONAL PLANNING ASSOCIATION
800 Twenty-First Street, N.W.
Washington, D. C.

For Members' Information
--Not for Publication

Economic Developments and Prospects in America*

By Gunnar Myrdal

Address before the National Economic Society
of Sweden, March 9, 1944

My speech is going to deal exclusively with America. It follows that I propose to present a cold-blooded and hard-boiled analysis of the facts bearing upon the American outlook.**

Pre-War Conditions in America

Looking backward on the 1930's, the cyclical movements during that decade are completely pushed into the background by the fact that America's economy during the entire decade was really in stalemate, which seemed perennial and irreparable. When the second world war broke out, the national income had not yet measured up to the top level reached in the boom at the end of the 1920's-- a fact which is all the more noteworthy as the still increasing population of America offers an annual contribution of manpower of more than half a million laborers, and as technical advances with respect to productivity in America are such as to afford an annual increase of about 2-1/2 percent.***

Whatever advantage the New Deal may have been in the social field, its economic policy failed in fulfilling the primary objective--to increase production and employment. I am not going to discuss in the present connection the illuminating reasons for this failure. It is enough to state that the number of the unemployed at the beginning of the second world war was still 10 to 12 millions. In this calculation the unproductive manpower which is employed within American agriculture is not taken into consideration. As a matter of fact, American economy had in operation in 1939 a total labor power which, in spite of the fact that the population had increased by about 10 millions, was 2 million less than in 1929. During the decade from 1929-1938 the net average of new capital formation was only 3 per cent of the national income, whereas the quota during no previous ten-year period since the 1870's had fallen below 10 per cent. Estimated in terms of money, with allowance for changes in money values, the net capital added during the 1930's was only 23 per cent of the corresponding addition of capital during the period 1919-1928.

*Slightly condensed translation from the Swedish. The sub-heads have been added.

**Notarie Tore Browaldh, who accompanied me on my trip to America, made for purposes of study, has assisted me in collecting the material for this address, which is delivered from a manuscript that in many points is more complete than the oral presentation. (Translator's note: the title Notarie in Sweden is applied generally to persons who have completed examinations entitling them to practice law).

***Productive capacity per hour is estimated to have risen by 32 per cent during the 1930's.

(over)

War Production and Employment

Armament succeeded in putting American productive capacity fully to work, a result which the New Deal had never been able to accomplish. The difference between these two factors, considered as spurs to productive expansion, is due to three circumstances: 1) Armament meant an injection of purchasing power of proportions quite beyond the capacity of the New Deal, a difference greater than ten to one; 2) Armament is carried on under the direction of a central planning organization with commanding powers; 3) Armament as well as the methods of carrying it through are accepted by business as being a prudent and necessary national policy--which cannot be said regarding the New Deal, despite its moderation.

American armament production, which was started in earnest only after Hitler's Germany had made conquests convulsing the whole world in the spring and summer of 1940, and which attained full speed only after the Pearl Harbor catastrophe in December 1941, raised American economy in an incredibly short time from stalemate to an economy of full employment. By the latter part of 1943, unemployment was reduced to a minimum* and, indeed, a considerable shortage of manpower appeared in most branches of industry and in most regions. Millions of untrained people were educated into skilful professional workers and the number of conscripted young men rose from some hundreds of thousands to the present figure of about 11 millions.

The manpower of the nation as a whole had risen from 55 millions to about 64 millions**, that is, by 9 millions. If 9 million unemployed are deducted from the first figure** and 1 million unemployed, plus 10 million soldiers, from the second figure, the increase of manpower actually employed in production was about 7 millions.

Many of these new millions of workers are over-age persons who, because of the pressing demand for manpower, continued their work; or, they consist of young people who under other circumstances would have been in schools or receiving vocational training. The increase of employment is also due in part to the fact that the number of working women has risen. Female labor has increased from 13 millions of which 2 millions were accounted as unemployed before the war, to about 18 million workers in the fall of 1943. Apart from the soldiers, the female contribution to production now amounts to about one-third of the entire labor power, while it was less than one-fourth in 1940.

In addition to the increase of the number of workers employed, production has increased because the working hours have been lengthened: an average increase of the working time in industry from 38.1 weekly working hours in August 1939 to 44.7 in the middle of 1943.

Within the war-important industries, new factories valued at 20 billions of dollars have been put in operation.

* According to estimates the number of the unemployed was 600,000 in October 1943.

** The figures of total manpower vary. Some estimates indicated about 62.5 million at the end of 1943.

***This is the official figure; most likely an underestimate.

The greatness of this investment can be appreciated in the light of the fact that the accountants value of the entire industrial equipment amounted to only 26 billions before the war.* The gross national product, which was less than 100 billions in 1940, was estimated to have reached an annual level of 200 billions of dollars in December, 1943. Even after all reasonable deductions have been made with respect to increasing prices, this means an increase in the real production of the country by 50 per cent as compared with prewar.

Income, Profits and War Financing

The creation of income has, of course, been strongly influenced by this gigantic expansion of production. Between the years 1939 and 1943 the total amount of wages paid by industry more than trebled. The greater part--70 percent -- of this increase resulted from the increase of employment in the industrial field, which had absorbed the whole increase in man power and more; the number employed having increased from 10.5 to 18 millions. Because of the increased weekly working hours and the high wages paid for overtime, the annual real wages increased on the average by 45 percent. The nominal pay per hour increased on the average by 50 percent for industrial workers, which however, was reduced by about half due to the higher cost of living.**

In the same way, corporate income shows a considerable increase. The total corporate profits for 1943 after deduction of taxes were more than 8 billions of dollars, which is an all-time record. The figure is double that of 1939, although corporate taxes now yield ten times as much and reduce the gross profits of the companies by almost two-thirds. The 1943 figure of net profits breaks the 1929 record of 7.9 billions of dollars. Taking corporate gross profits before deduction of taxes, we find that the profits of 1943 were 22 billions of dollars, which is more than double the profits of 1929 and more than four times those of 1939.

The driving force in this vigorous boom is war production, which in terms of value is about half the total production (in real production volume somewhat less than half, due to the fact that both costs of production and prices in the war production industries are even relatively inflated). It may be worth pointing out that, within armament production itself, changes and cyclical movements occur. The curve for real investment, that is, in the first place, the establishment of factories and their equipment with machines, reached its culmination during the latter part of 1942.*** Since last summer practically all investment in new plants has been stopped and very few plants are still under construction.

War production as a whole, as well as the total production of the country, shows a steadily decreasing rate of increase and is expected to remain almost unchanged this year. Measured in terms of need of manpower, production for army purposes is expected to decrease somewhat. The manpower needed for production for the navy is expected to remain almost unchanged, whereas production for the air forces continues to expand. Changes are contemplated within each of these

- * The capital invested in factories without amortization is estimated to have been 50 billions.
- ** The real wage paid per hour is only 20 percent above the prewar level.
- *** The expenditures for construction during the first six months of 1943 were forty percent below the total expenditures for the same purposes during the second half of 1942.

three production fields. As regards production for the army, which it is not necessary any longer to establish but only to maintain, the demand on heavy industry (steel, tanks, guns, etc.) is decreasing, whereas the demand on light industry is almost unchanged.

The total picture, as everyone can see, corresponds to the phase of the business cycle following a culmination of investments; but crisis and depression have been prevented through a continually unceasing demand for industrial products.

During 1943 about half of the current national income was taken by the government. In spite of the fact that the revenue of the federal budget is almost ten times as great as it was in the 1930's, only about one-third of the war costs have been financed through taxes. The federal debt, which in 1939, after the long deficit period of the New Deal, amounted to about 40 billions of dollars, rose to about 170 billions at the end of 1943 and is estimated to reach 210 billions at the end of the present fiscal year. At present it is usually calculated that the total debt at the end of the war will be about 300 billions of dollars. A comparison may be made with 1916, when the debt had not yet exceeded one billion, and with 1919 after the end of the first world war, when it was about 25 billions.

The larger portion of the increased federal debt, or about two-thirds, has been absorbed by the financial institutions, insurance companies, and other corporations. The Federal Reserve Banks and the commercial banks have together absorbed almost half of the debt increase. It must be said that the commercial banks have to an increasing extent become a large reservoir of government bonds instead of being credit intermediaries between savers and borrowers.* Only one-third of the increase of debts has been placed with private investors and probably only a smaller part of this one-third can be attributed to a real increase in savings.

Interest Rates

The rate of interest has been kept low, less by 1 or 1 1/2 percent than the general level of interest in Sweden. It may be expected that the rate of interest for long-term investment will remain fixed at this very low level both during and after the war. Many bankers are, however, of a different opinion, thinking that the level will rise after the war. They base their prediction on the psychological effects of marketing changes and on the necessity of consolidating the federal debt. However, it is improbable that the government will run the risk of changing the rate of interest in a way that would reduce the capital value of bonds which were originally sold, under strong publicity pressure, among the people as a whole. Moreover, the banks which at one time were generally in favor of rather high interest rates, whereby a more favorable margin of profit could be achieved, have become holders of government bonds instead of credit intermediaries between private persons, with the result that they are no longer interested in raising the rate of interest, thereby risking insolvency for some of them. The fiscal needs of the government, which have developed

* Almost three-fourths of the earning assets of the commercial banks consists of government bonds. This development started during the 1930's but has been accentuated during the war.

parallel with the increase of the debts, as well as the interests of farmers and enterprisers, will join in demanding a low rate of interest. In the long run, one of the lasting consequences of such vast borrowing by the state may be a rate of interest stabilized at a very low level. In case of recovery or boom, the low rate of interest, as well as its immobility, will necessitate the retention of other more direct public controls over investments, production, and prices.

Prices

With respect to price developments, it might have been expected that an enormous increase of prices should have taken place. I personally was not at all surprised that the Americans succeeded in carrying through their fantastic war production program. I knew the extent of the enormous productive resources which had been unused during the stagnation of the 1930's. I knew also the power of will and the ability to organize which characterizes this young and progressive nation, provided the endeavor can be co-ordinated and directed toward an object to which all concerned are contributing their utmost. However, I have to admit that, just because of my belief in the production program, I expected that the immense expansion of purchasing power would result in a corresponding increase in prices.* As I was well acquainted with the deficiencies of the public administration in America, I was reinforced in my scepticism with respect to the outcome.

But in regard to price development, I was in error. As a matter of fact, prices have risen less in America than in Sweden or in England. The index of cost of living has thus increased by only about 25 percent since 1939 and the index of wholesale prices by only around 40 percent.** It is true that there are many reasons, such as, deterioration of quality, elimination of service, and discounts to customers, and direct manipulation of weights and measures which, when computing indices, cause us to view with suspicion all price indices during the war -- not that the index calculations seem to be more erroneous in America than in many other countries; perhaps the reverse.

A closer investigation of the components included in these general index figures shows a rather diverging price development for various commodity groups. Generally it may be said that prices have risen far more for materials used in the earlier stages of production than for finished goods. While the wholesale index for raw materials is now more than 60 percent above the prewar level, prices for industrial finished goods have risen by only about 25 percent. Moreover, while the farmers, for instance, now receive about 100 percent more for their products, the increase of retail prices for foodstuffs has been held down to only 45 percent, due to large subsidies. However, this figure represents a far greater increase than for the other commodity groups included in the cost of living index, which on the average has risen only by somewhat more than 25 percent.***

* I should say that I had not made a thorough investigation of the problems of the business cycle in America; my conclusions were only made on the basis of general considerations.

** At the corresponding date of the first world war, the level of the wholesale prices was 100 percent higher than before the war.

*** I shall deal below with the policy pursued as regards prices for agricultural products.

(over)

Maintenance of Civilian Production

This general development of prices must, however, be considered unexpectedly mild in the light of the financial and monetary development which I have outlined. I have to admit that the picture as a whole still appears to me obscure, and I cannot do more than point out some factors which probably were conducive to the result. In the first place, civilian production has in large part been maintained at its former level and even increased in comparison with prewar, in spite of the fact that war production expanded so rapidly. While in 1942 the actual consumption in England was 20 percent below the prewar level, the consumption in America was in the same year 13 percent above the prewar level.

It is true that production, and gradually retailing, of practically all durable consumption goods has been cut down and has, since the turn of the year 1941-1942, to a great extent been stopped. However, the production of other consumption goods has not only been maintained at its former level but even increased relative to the civilian population which decreased as conscription continued. Production of agricultural goods has, for instance, increased to such an extent that, in spite of lend-lease shipments and in spite of the great demands of the armed forces, civilian consumption of foodstuffs in America is on the whole the same as it was in 1941 and much larger than in 1939. Rationing of goods was necessary only in order to stop a further increase of consumption, which was bound to occur when income was increasing. With respect to many commodities it may be observed that until the Pearl Harbor catastrophe an extensive piling up of stocks was made for speculation purposes. Thereafter, these stocks were gradually drawn upon to meet increasing demands.

Savings

This explanation is, however, not sufficient. In spite of the fact that current supply was maintained, the gap between the current income of the consumers and the current supply of goods gradually widened. While private income, after deduction of taxes, was 126 billions of dollars in 1943, expenditure for consumption was estimated at only 88 billions in the same year. There was consequently an "inflationary gap" of 38 billions or almost one-third of total private income. Evidently the larger portion of this additional purchasing power has been saved, or rather has not been consumed. Only 2 billions is expressed in, and has been used for the payment of, higher prices. This enormous saving, which according to estimates, will amount to 100 billions for the three years, 1942, 1943, and 1944, needs an explanation.

Ordinary saving and the new saving called forth through patriotic propaganda regarding war bonds, etc. cannot account for more than a fraction of this sum. The more important factor is most likely an automatic reaction on the part of the receivers of income to the increase of income on the one hand and the shortage of goods on the other. The consumption habits of human beings are evidently much more stable than has been thought by us economists. In a situation with increasing income and no possibilities of buying cars, refrigerators, washing machines, and radios, when ready-made clothes have become not only more expensive but also of poorer quality, while a large proportion of current consumption goods have been rationed, people evidently have not enough imagination and intelligence to invent attractive ways of getting rid of their money. Accordingly, they hold on to it. The surplus money has, indeed, been used to pay off mortgage-loans and to complete installment payments, to pay in cash instead of asking for

credit in the normal way, for new insurance, for savings bank deposits, and in simply giving rise to an increasing circulation of banknotes.*

Finally, the measures taken by the authorities in order to prevent prices from rising have been more effective even in America than I had expected would be the case. No matter how the aforementioned and possibly other factors also capable of preventing inflation are co-ordinated, it must be said that the increase in prices has been rather reasonable and, especially during the last year, has been slow. There is one reason for believing that even during the continuation of the war it will be possible to prevent a further increase in prices: It is the fact that from now on raw materials and other supplies will be placed at the disposal of civilian production in a steadily increasing stream. Steel production has for many months covered and even exceeded the maximum needs of armament production. Some steel works have begun to decrease their production and stocks are piling up. This can also be said of aluminum and many other basic raw materials. The production of artificial rubber is said to be so large that even now it would be possible to increase the motor traffic were there not a bottle neck in the tire factories. The same is true in many other fields of production. As consumption goods increase on the markets, surplus purchasing power will decrease.

Inflationary Pressures

However, we cannot be quite sure that prices will continue to develop smoothly during the remainder of the war. The anti-Administration majority in the Congress, consisting largely of conservative Democrats from the southern states and conservative Republicans who came to power through the election of November, 1942, pursue at present, consciously or unconsciously, a purely inflationary policy. The central price-controlling organ--the Office of Price Administration--is attacked and weakened in every conceivable manner. The new taxes suggested by the Treasury in order to press down the "inflationary gap" are being rejected or cut down. The majority of the Congress has started a campaign against the continuance of the subsidies for foodstuffs, which are used in order to keep down food prices, and the government has not as yet been able to master this opposition. In case this action cannot be stopped, there is a risk that the program for stabilization of prices will not be carried out.

The relative stability of wages which has been maintained is related to the index of the cost of living, in which the prices of foodstuffs play, of course, an important role. The organized workers strongly oppose limitation of wages even with the present cost of living. Should the subsidies for foodstuffs be abolished and should the cost of living again show an upward tendency, the well-known vicious circle of inflation, with cost of living and wages interacting upon each other, would be set in motion.

* It is estimated that home owners, for instance, will, at the end of the period, 1942-1944, have amortized their mortgage debts by 11 billions of dollars. It is the same with respect to the further contraction of debts, the total volume of which has decreased since the beginning of the war by 70 percent. The circulation of bank notes has increased from 6 billions to about 20 billions. In addition, the war bonds and other government bonds which had found their way into private hands by October 1943 amounted to 45 billions.

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Post War Prices

How the price level is going to move after the war is quite impossible to predict without making a thorough analysis of the more general factors of the business cycle. Even then, an estimate would be guesswork. Anticipating matters I am going to discuss later on, I only want to declare that I personally think there will be a deflationary movement, in any case after the short period of "sellers' market" which presumably will follow immediately after the end of the European war. The curve will probably show many "ups and downs" and certainly the behavior of prices will be very diverse for many years to come. Parenthetically, I want to point out that I did not meet any American economist who had any other objective for price policy than stabilization of the price level without inflation or deflation.

Agricultural Policy

I have postponed until now to bring forth some views on agricultural economy and agricultural policy in America during recent years. Manpower employed in agriculture has not decreased much. Production has increased by about one-third. The increase of agricultural production is, however, not very remarkable since the entire agricultural policy before the war sought to induce the farmers to limit their production by means of subsidies. Mechanization of agriculture has not increased. Market prices for agricultural goods have, as mentioned above, been allowed to increase by about 100 percent, which, as production costs have not increased to the same extent, has resulted in a trebling of the average farmer's income. While, as already mentioned, the retail prices for foodstuffs have been kept below 50 percent by large subsidies, the increase of prices for foodstuffs is, nevertheless, most to be blamed for the increasing cost of living index.

Behind this agricultural policy and price development lies the fact that the so-called Farm Bloc, which usually, by manoeuvring the coalition between the conservative southern Democrats and the conservative Republicans, exercises a high degree of control over the majority of the Congress. With this fact as a background it seems rather surprising that when Dr. Roper, who directs the public-opinion polls of the magazine Fortune, instituted an inquiry last fall as to what social group was supposed to have made the greatest contribution toward winning the war, the overwhelming majority voted for the farmers. This can be explained by the fact that the Farm Bloc was able to obtain great publicity with respect to the increase in production on the part of the farmers, which, however, was mainly the result of the previously pursued policy of limiting production.

Even from a more basic point of view, the agricultural policy pursued in America during the war has, in my opinion, been a great mistake. It signifies a wasted opportunity to put agriculture on its feet. We have to remember that the industrial stagnation in America during the 1930's, as well as the relatively higher birthrate for decades in the agricultural districts, resulted in a serious surplus of population in large agricultural sections.

In those agricultural sections where the production capacity is high and where the production is rationally organized, almost like industry, American agriculture stands at a high level. On the other hand, the greater part of the farmers in America carry on agriculture in a primitive way and their living standard is low. One-third of the farmers produce 80 percent of all agricultural

products for sale; one-half produce 90 percent of the entire product that is marketed. The remainder are mostly poor farmers producing for their own living, who cannot be helped by any increase of prices. A great number of farmers cultivating for the market are in effect low wage workers carrying on farming which from the technical point of view is primitive and maintaining standards of living that are very low. This applies especially to the impoverished cotton-growers, both negro and white, in the old South, mostly farm workers, share croppers and small tenants on the plantations.

The war offered America a well-bestowed opportunity, which may never return, to transfer the poor farmers from the over-populated sections of agriculture and place them in war industries and in the army.

But this policy was not appreciated by the large land owners, particularly in the South. Such a reorganization would apparently not be in accord with their interests, as they saw them. Through laws and through arbitrary application of these laws, even unproductive farms have been treated as "essential", so that their owners were exempted from war service, though even the experts in the Administration at Washington were drafted if they were within the age limits.

Through other decisions they have also been able to hinder the official employment offices in the enrollment of labor for war industries in their districts, unless the county agent, who usually serves the interests of the large land owners, gives his approval, and this in spite of the sometimes critical lack of manpower.

Let me add that the practice of retaining superfluous manpower in American agriculture must tend to sharpen the great crisis of over-production in agriculture which, according to the unanimous opinion of all experts, will appear in the wake of the period of shortage prevailing throughout the whole of the war period and probably for some years thereafter.

Postwar Outlook

I now return to the economic outlook as a whole. I have already characterized the situation which is counted upon to prevail during 1944 as an enormous boom founded on war production. The notable thing is that it is being kept stable in spite of the fact that the investment phase has long since passed. The chief conditions for the continuance of this boom are: 1) a heavy inflationary pressure initiated from underneath by governmental demand for all kinds of war goods; 2) severe compulsory regulations from above by means of which production and price formation as a whole is directed and controlled centrally.

The economic postwar problems of the United States are what is going to happen to business activity when 1) state demand for war materials is reduced and gradually ceases altogether; and 2) the compulsory regulations are simultaneously replaced by "free enterprise".

Outside Nazi Germany and Communist Russia and the economies of several of the countries now at war -- that is, centrally directed economies -- there is no historical precedent for the stabilization of a boom. In an unregulated capitalist society, it seems that a boom must always have an end and lapse into crisis and depression. We ought to recall that America altogether failed in the much easier task of getting rid of a depression. To stabilize a boom in a free

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economy is no doubt a much more difficult story. And the American boom is much more severe than any preceding one. Furthermore, it contains far greater proportions than one could have foreseen. How can chaos be avoided when the enormous inflationary pressure and the balancing controls are simultaneously withdrawn?

Notably in America, with its vast unemployment before the war and with its full employment and rising standard of living (particularly for the broad masses) during the war, it is hard to stand for any other opinion than that full employment can and must be secured for the entire people after the war. Full employment means a stabilized boom. Simultaneously people are looking forward towards peace as a situation in which the government no longer supports production by a demand for war materials to the extent of half the national income. There is a general desire to get rid of state regulations and war bureaucracy. Herein is the economic dilemma of American post-war discussion.

American Optimism -- Prosperity and Free Enterprise

A couple of years ago when recovery was in process of being attained, and the controls were still in preparation, the opinion was held among experts and the general public that after the war a severe depression, with widespread unemployment, threatened, and must be counteracted. Returning now to America, one is surprised to find a much greater optimism as to business prospects after the war. Americans quite generally believe that they will succeed in stabilizing in peace time the high activity of the war period. At the same time the idea is proceeding that this is to be the task of private enterprise and that the abolition of war regulations is one of the prerequisites of the maintenance of the full employment.

This optimism and the propaganda against state interference connected with it have their church militant in the organizations of employers. The brilliant young president of the Chamber of Commerce of the United States, Mr. Eric Johnston, steadily underlines the responsibility and capacity of industry to take over the war boom and to transfer it to a free and stable peace activity designed to give jobs to all. Paul G. Hoffman, president of the Studebaker Corporation and simultaneously the head of the CED--Committee on Economic Development--which is the post-war planning body of big business, goes so far as to claim that there cannot be any mass unemployment after the war, for private industry will be capable of providing employment for all or the government will have to do the job.

This is the great test of private capitalism, it is said, and no one seems to doubt that it will succeed. I used to point out to my friends among American business men that they ought not to be so careless with their baby, private capitalism. It might be a healthy baby but it could catch a cold if exposed naked in the dangerous draught which will appear after the war economy is liquidated. But I did not find ready listeners to my sceptical remarks.

In evidence of this notable development of optimism, two public opinion polls made by the great business magazine, Fortune, may be cited. At the time of the entrance of the United States into the war in 1941 only 10 percent believed in the possibility of avoiding widespread unemployment after the war. Now 80 percent of those Americans who at present are employed are convinced that they will have jobs after the war is over. Particularly among business men, economic prospects are considered to be very favorable. An investigation made in October,

1943, revealed that 70 percent of the business men who had been questioned, predicted very good business conditions after the conversion of industry from war to peace production had been accomplished. Thus there is an obvious contrast with the profound pessimism with respect to the future of free enterprise which the very same group of people expressed in November, 1941. Whereas 91.5 percent preferred free enterprise after the war, only 7.2 percent believed then that this system would actually survive the war.

Is This Optimism Justified

I have tried to understand and to analyse psychologically this surprising optimism and have reached the following conclusion: in part it is a rather questionable deduction from the success of the war economy. This success is remarkable and is a good test of what American business can achieve with respect to technique, organization, and power of expansion, if backed by unlimited demand procured with unlimited purchasing power. This, however, will not be the case in the post-war economy, especially in view of the pressure for orthodox financing. The expansion had to overcome technical and organizational difficulties; but from the point of view of business cycle policy it is much easier successfully to achieve recovery than to maintain the new level after the supporting purchasing power has been removed.

Behind the optimism there is, furthermore, the usual tendency of the Americans to exaggeratedly optimistic expectations as long as things are going well. One who was in America at the end of the twenties recognizes the same mood now as then. Then it was the general idea among business men, and alas! even among economists, that there would never be another depression. Doubtless optimism among business men is in itself a business-stabilizing factor, since it leads to a willingness to take risks and to continue making investments. But the example from 1929 proved that when the entire economy is out of balance no amount of optimism is capable of preventing a crisis.

"Endeavor to keep up war morale is a further explanation. In a country at war it is not patriotic to see the future otherwise than optimistically. Nobody wants to be a "defeatist", and this fact induces a mass suggestion which influences even expert opinion.

Behind this attitude there certainly are also, consciously or unconsciously, political considerations. In a situation where people are demanding full employment, the most simple device for preventing radical views from spreading is to claim that free enterprise will do the job. This is an obviously dangerous procedure. If private enterprise should not prove capable of stabilizing full employment, discontent of the people with the system of private capitalism would certainly be all the greater, and radicalism would perhaps become really dangerous. Rightly or wrongly from the point of view of these interests, American business aims, however, at a minimum of state interference after the war. And the simplest way of motivating this idea is to claim that state interference is not needed. To sustain this point of view optimism is needed.

The American economists share, in the main, the great optimism of the American business world with respect to post-war economic problems. As has already been mentioned, I disagree with most of my colleagues in America and am troubled by a serious scepticism with respect to this attitude in America towards post-war plans. I want now to deal with the more general reasons for my greater pessimism with respect to economic prospects after the war. Let me first give an idea of the main features of the conversion of the entire economy which is to

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be accomplished when the war is over. It seems to be most feasible first to attack the problems from the point of view of employment.

Release of Soldiers and Workers

The army is to be demobilized. At its peak it will have absorbed 11 1/2 million persons. The War Department has up to now estimated its peacetime forces, in all branches, at about 1 1/2 million men. But the external political situation is becoming darker. Let us therefore be generous and assume that there will remain 2 1/2 millions in the defense services instead of the now contemplated 1 1/2 millions. Thus 9 millions are to be transferred to peace production.

War production is to be cut down considerably. The output of aircraft is perhaps to be reduced to 5 percent of its present level; ship-building activity to between 7 and 10 percent. Production of machine-tools has during the later years been 10 times as great as in any of the preceding years of peace. This industry has a capacity big enough to supply, within 6 weeks, a country the size of Italy with all the machine tools it would need. Already it is working at only 75 percent of its maximum. Even under the most favorable assumptions with respect to exports to Russia and other undeveloped countries, production cannot be maintained at more than about 60 percent of present output.

Furthermore, there is the production of industrial raw materials. Plants producing synthetic rubber are expected to reach a production of 800,000 tons in 1944, which exceeds by one-third America's peacetime consumption of rubber. It is apparent that if America does not introduce a strict control of the importation of crude rubber, which would do great harm to British and Dutch interests in the Far East, this production cannot be maintained at anything like its full capacity. The capacity of the steel industry is now upwards of 90 millions of tons, or 10 millions more than before the war. Production has risen by 80 percent. A considerable limitation of production can be fairly predicted. The output of aluminum has multiplied ten times since 1938 and is put at 900,000 tons for 1943, of which 80 percent is designated for the aircraft industry--which industry is expected to be reduced to 5 percent of its present level. The output of magnesium has been increased from a meager 2,410 tons to 300,000 tons.

An increased use of light metals for civilian production in the period after the war is predicted, and from this point of view the quantities produced are perhaps not too great. If one ton of light metals is equal to two tons of steel, the total output of light metals is equal to between 3 and 4 percent of the steel production. A certain release of manpower, however, will certainly be inevitable, either directly in the light-metal industries or by means of an additional limitation of employment in the steel industry.

It is hard to say what these limitations of production will mean. In order to complete these calculations let us assume that the total reduction of the demand for manpower in the war industries will amount to about 5 millions of workers, perhaps more, at least 80 percent of whom will come from the four large industries; aircraft, ship-building, iron, and steel. On the other hand, the demand for manpower in certain industries, the employment in which has been kept down during the war, such as paper, textiles, leather, glass, and furniture will increase. Industry as a whole will consequently release 4 million workers. This would indicate a total employment in industry of 14 millions, compared with

18 millions at present, and 10 millions before the war. Out of transportation perhaps half a million will be released. The war agencies and the enormously increased federal administration will probably release more than one millions persons.

If we sum up these figures: 9 millions from the armed forces, 4 millions from industry, half a million from the transport system, and one million from public administration, we reach a total number of released persons amounting to 14 1/2 millions. It must be pointed out that this estimate of necessary changes within the production system is regarded as not only a minimum figure, since the calculations concerned are on the basis of the supposed maintenance of full employment, but also a net figure, since it indicates merely the movements as between the large sections of industry. Even with the most favorable assumptions, the shifts during the conversion period will comprise almost half the American population.

Absorption of Workers

To what peace industries are people in search of jobs to be transferred? Suppose 3 to 4 million women, young people, and people over age voluntarily withdraw from industry: even then, 11 million job seekers will remain. Perhaps one million will return to agriculture, though from any rational point of view this should not occur. In the event of full employment, trade may provide work for 2 to 3 millions more than during the time when the pressure of war caused a labor shortage. Various service industries, including employment as domestic help, housemaids, etc., will under favorable conditions absorb a further 3 millions. But 4 to 5 millions remain. The unemployment, instead of being less than one million, as is the case at present, must be expected to rise to at least 3 millions. Accordingly, work must be provided for between 2 and 3 millions in the building trades. At the bottom level of the war this industry employed only half a million. After the war, employment ought to be increased to around 3 millions. Since the annual value of building output is put at 5 billions per million workers, this would presuppose a building program amounting to about 15 billion a year.

Thus the magic circle is completed. The peace balance in the national economy is arrived at. Such calculations are frequently made in America. I have been following those put forward in various publications by Professor Alvin H. Hansen of Harvard University. Variations of the figures do not affect the general result of the calculations, which is to give a simple, but nevertheless realistic, picture of what conversion to peace really means. But as a justification for peace optimism, these calculations are worthless. The analysis as a whole is altogether static. It is not at all concerned with how the whole procedure is to be brought about--by developments over a period of time. As a method of creating belief in good post-war conditions, the analysis is merely "begging the question": it presupposes full employment and then studies the direction of demand for manpower required for realizing this presupposition. If we assume that there will not be full employment, then the release of manpower in industry would be greater in all industries and the possibility of providing the unemployed with new jobs would be less everywhere. Then unemployment will arise, which is just another way of saying that there will not be full employment.

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Nevertheless, these calculations are very useful: they have real significance for economic planning. Let us now consider them from the point of view of production and income instead of from that of employment. Here I shall follow the brilliant study prepared in the Bureau of Foreign and Domestic Commerce by S. Morris Livingston, entitled Markets after the War, which was published last spring and has become the Bible of optimistic economic post-war planning in America.

Livingston's study is a projection into the peacetime future of the term "full employment". His calculations refer to 1946 but they equally well could have been made for any other year. He analyzes the meaning of full employment as follows:

In 1940 there were 9 millions of unemployed and 46 millions of employed. Between 1940 and 1946 civilian manpower will rise by 2 1/2 million persons because of the increase of population. The greater part of the women, the over-aged, and the young people who were not gainfully employed before the war, will it is assumed, withdraw from the labor market, thus forming an item of deduction amounting to say, 5 millions. The armed forces will need 2 million men compared with less than half a million before the war. Current unemployment is estimated at 2 millions. The armed forces will need 2 million men compared with less than half a million before the war. Current unemployment is estimated at 2 millions. The increase of employment since 1940 required to create full employment in 1946 is thus around 10 millions.

The productivity of labor per working hour is assumed to rise by around 2 1/2 percent a year. The work-week is expected to go back to 38 hours, which was the average in 1940. The gross national income, in 1940 prices, will then reach 142 billions compared with 97 billions in 1940. In terms of 1942 prices, it will amount to 165 billions. In the event of stable full employment the national income would rise by 3 percent a year, which would mean that the calculated gross national product for 1948 would amount to 149 billions if reckoned in terms of the money values of 1940, or 175 billions if reckoned in terms of the money values of 1942. Through correlation of many years in retrospect, Livingston distributes the total production which would result from full employment among the various branches of industry and the various products. Thus it is made possible to translate the program of full employment into concrete plans of production and investment for every particular branch of industry.

Livingston is anxious to point out that he does not claim to make predictions about the future. The calculations merely show what full employment would mean with respect to production of various kinds of goods. Reversely he points out that if the real volume of production in 1946 merely equals that of 1940, which was not a bad year in comparison with the thirties, unemployment would amount to the 9 millions who were unemployed in 1940 plus the 2.5 millions added to the civilian labor force, plus the 8 millions who would be displaced by the increase of productivity per working hour: altogether nearly 20 millions unemployed. Even if the working week in industry should amount to only 33 hours instead of 38 as in 1940 and 45 at present, unemployment would considerably exceed 13 millions--assuming that the national income in 1946 is the same as in 1940.

Plans of Private Enterprise Do Not Add Up to Full Employment

Livingston's exceedingly interesting study made me pose two questions of importance for consideration regarding economic prospects. The first question

was concerned with the fact that numerous industrial companies and branches of industry have made extensive calculations on the basis of Livingston's inquiries into total production and national income, regarding their own production and their own investments. I asked to what extent the results of these calculations, if put together afterwards, would correspond to the total figures. The reply was that they would run at a considerably lower level than that necessary for the fulfillment thereof. This means that the respective enterprisers merely believe in full employment in general, presuming that everyone else will act in such a way as to produce full employment. Actually everybody wants to pursue plans which will not accomplish his own share of production. Thus, if the separate plans made under the assumption of full employment should be realized, the result would nevertheless be that wartime full employment would not be maintained but would be succeeded by a slump and by unemployment. A downward movement would thus take place with the consequence that the plans of production would be still further reduced, and so on.

American Enterprisers Want Lower Wages, and yet Larger Sales

My second question was concerned with the starting point in Livingston's analysis, that full employment after the war would require an immediate 50 percent increase of total production and national income compared with the prewar situation. From what source will the purchasing power and demand come, when the government no longer requires almost half of the national income and production for purposes of warfare? This question applies, of course, in the first place to wages.

Are the American enterprisers likely to stand up before the country and complain that the critical economic situation compels them to suggest a huge rise in wages in order to create a sufficient basis of purchasing power for production at a level of full employment? Such things do not happen in real life and hardly ever even in the world of fiction.

We must understand the position of the enterprisers as individual employers. They are now actually suggesting a reduction of wages, referring to the fact that sales prices subject to price control and competition have risen less than wages. The fact that the total net profits of industry, in spite of tenfold taxes, have been doubled is due, they contend, merely to the circumstance that the greatly increased volume of output, because of the improved utilization of production capacity, has resulted in a wider incidence of overhead costs. The profits, they say, have been subject to a wider distribution and, per unit of production, the net profit of industry has, as a matter of fact, decreased by about 10 percent.

Since the employers in their wage policy do not dare to rely on continuing full employment and hold the view that, in any event, it can be maintained only by reduced costs of production, it does not matter how much they believe in the stabilization of full employment and boom conditions in general. By not raising wages and, even more, by reducing them, the foundation of purchasing power for full employment is withdrawn and the depression curve begins to move downwards.

Little Likelihood for Maintenance of Boom Consumption

The problem of the foundation of purchasing power for a continuing post-war

boom is, as a matter of fact, even more complicated. Let us presume, that individual enterprisers, acting from feelings of generosity, which from any single individual's point of view must necessarily be attended by grave risk, will refrain from striving for a reduction of wages and, on the contrary, will admit an increase of wages; furthermore that the government, by means of continued deficit budgeting, will fill out those gaps in income which may be needed for keeping up boom conditions. Even on the basis of this consciously unreal hypothesis, it appears incredible that the consumers would show enough of confidence in the future and have enough of intelligence, imagination, and culture to increase their standard of living in such a degree and so rapidly as would be required for the maintenance of full employment. In order to reach this result it is apparently not enough to secure a satisfactory level of income. If the consumers should fail sufficiently to consume their income, the boom would disintegrate like a house of cards the moment war demand ceased.

I want to point out that this particular difficulty, which springs from an unsatisfactory basis of income and rigid habits of consumption, is extraordinarily great in America owing to the stagnation that lasted an entire decade. Though the increase of productivity continued during the thirties in America, it did not result in a corresponding increase of the standard of living as was the case in this country. Thus, in America, the need is not merely to make good what has been refrained from during the war, but to carry out the potential rise in the standard of living accumulated during 15 years through improvements of technology. And since the basic situation is a boom, the increase of the standard of living must be rapid and cannot, as during a recovery, proceed gradually, because in that case the business curve would start to move downward.

Following these remarks, which have been concerned chiefly with reasoning from a static conception of the question, I want to discuss the problem briefly from the dynamic point of view, that is, to analyse critically the special factors in this economic development embraced in the conversion from war to peace economy. For convenience I will differentiate between those factors which prove favorable and those which prove unfavorable for the maintenance of boom conditions.

Favorable Factors

Restocking of Inventories and Relief -- There are several circumstances which immediately after the war ought to contribute to keeping up demand during the transition period. The need of restoring exhausted stocks to normal volume may perhaps, over a few years' period, create a demand amounting to 10 billions of dollars. In addition, there is the extraordinary need for American products from various countries and the demand emanating from the activities of the United Nations Relief and Rehabilitation Administration. How great will be the immediate post-war demand for exports from the United States is impossible to say with exactness; it can be said here, however, that in part goods will be included of which there will also be a shortage in the United States during the transition period. Thus it appears likely that American post-war exports will not maintain the wartime volume, which is abnormal and chiefly financed by the United States Government through the Lend-Lease Administration. These wartime exports amounted to almost 13 billions in 1943.* Contrary to what is

* In this figure shipments to American armed forces abroad are not included.

claimed in general discussion, it follows, that there will be, in this item, a reduction of effective purchasing power.

Deferred Demand -- The greatest hopes are, however, tied up with the extensive deferred demand, the demand for all kinds of durable goods which have not been produced during the war. This supposed demand includes all kinds of industrial products from kitchen utensils to motor cars. In 1941 there were, for example, 27 million private motor cars in use. At the beginning of the next year normal use would have reduced the number of motor cars to 20 millions. During the intervening time population has increased somewhat, but on the other hand the capital invested in motor cars has been abnormally reduced. The need of motor cars varies, of course, with business conditions. If Livingston's ideal picture showing a national income in 1946 of 142 billions in terms of the value of money in 1940 is attained, a total of 32 million motor cars will be required in 1945 in order to accord with demand. As a further illustration it may be mentioned that, in one public opinion poll, 53 percent of the American families questioned replied that, if the war should end tomorrow, they would be prepared to buy one or several major articles, among them 2.6 million cars at an outlay of 2.3 billions of dollars and household appliances to the extent of almost one billion.

Liquid Savings -- Corresponding to these deferred needs there are immense savings in cash or in liquid form. It is doubtful to what extent they will actually emerge as purchasing power on the market. My personal view is that there will not be any sudden outburst of purchasing power but that the major part of the savings will rather be retained as capital. Yet, by furnishing a higher degree of security, they may encourage people, more than would otherwise be the case, to use up their income without fear for the future--which is important in long-range development. In the short run there will certainly be sufficient means of payment to meet the great deferred needs rapidly.

Yet we ought to be careful not to exaggerate the importance of this factor. Alvin Hansen holds the view that the total demand for durable consumption goods during the first two years after the war will amount to around 10 billions. Under very favorable conditions this figure would rise to 13 or 14 billions. At present the demand amounts to about 3 billions and in 1937 the figure was 7.6 billions. We ought to consider, moreover, that not even in this case will the increase of demand result in a rise of employment but merely a decrease of unemployment. The industries concerned belong to the typical war industries and it is for this very reason that the production of durable goods has been reduced so greatly. If the production of motor cars should thus be expanded to 8 millions a year, compared with 6 millions at the pre-war peak in 1937, the motor-car industry would nevertheless be forced to dismiss several hundred thousand men. This fact is frequently not realized in popular discussion.

Construction -- Among the most important of the favorable factors there is the expectation that there will be a lively building and construction activity. The economic stagnation of the thirties and the limitations of production during the war, which, of course, have greatly restricted housing construction, have created conditions favorable for a building boom immediately after the war. This complicated problem how to arrange satisfactorily a large and rapid increase in the standard of living, thus keeping production at a level connoting full employment, is dependent to a great extent on the possibility of accepting a considerable part of this increase in the form of housing standards.

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This is due to the fact that apartments, being a very durable type of goods, require immediate production at an investment many times greater than the immediate rise in the standard of living, reducing proportionally the claims for such a rise; it is due, furthermore, to the fact that an increase in dwelling-house standards creates many additional wants, such as for furniture, household equipment, and other things.

From a quantitative point of view, housing production, under the most favorable conditions and with the support of a governmental program, is susceptible of increase to a maximum of 5 billions of dollars a year. Such an investment volume would mean that there must be an annual increase of one and a fourth million family dwelling units--a very high figure. In view of the large investments that have been made in ~~war~~ plants during the last three years, private building activity in fields other than dwelling houses, including construction for the conversion of industries, cannot be expected to amount to more than 2 or 3 billions.

In comparison it can be mentioned that expenditure for business plant construction, including buildings for agricultural and mercantile purposes, accounted in the twenties for 3.9 billions on the average, while the corresponding figure for the period 1936-39 was 1.9 billions. Thus public--federal, state, and local--works entailing an expenditure of from 7 to 8 billions of dollars would be required in order to keep up building activity at a level of 15 billions, which in the long run, as previously pointed out, would be the proper share of the building trades in total production in a regime of full employment.

Alvin Hansen, who more than any other American economist has stressed the necessity of a heroic housing policy in order to solve the post-war employment problem, has confined himself to the advocacy of a building program amounting to from 10 to 12 billions, hoping that this will be enough during the first two post-war years, when replacement of stocks and extraordinary exports will run on a high level. Later, however, the building program would have to be increased over a period of several years. Until the general level of income and standard of living have reached an equilibrium, it ought to be as much as 15 to 18 billions, of which, according to Hansen's view, 7 to 8 billions ought to be expended for dwelling house production, while simultaneously construction for hospitals, schools and similar purposes ought to be extended even more. However, the political prerequisites for the realization of such a program, hardly exist in America.

Unemployment Relief--It is generally accepted that the unemployed this time will receive ample unemployment relief. After this war there will be 15 million veterans. Together with their relatives they will dominate politics. In many respects they will probably turn out to be reactionary, but with respect to the amount of relief they will favor a generous policy. The effect of this policy will, of course, be an increase of purchasing power.

A Tapering Off War--In America it is generally assumed that the war in the Pacific will continue for at least one year and probably two years after the close of the war in Europe. Remarkably enough, this is mentioned among the favorable factors with respect to business prospects. There are two reasons. First, price and production controls will be maintained. Secondly, war expenditure, financed through deficit balancing and credit expansion, will not be cancelled suddenly but, to begin with, will decline from a level of 100 billions to about 60 billions.

It is a bit amusing to listen to such arguments in conversation with persons who are at the same time prominently backing the triumphant propaganda for the quickest possible abolition of state regulations and the adoption of sound finance as a necessary prerequisite in order that the forces of free enterprise may become effective. The idea is, that the gradual displacement of war economy provides the conversion procedure with a badly needed pause. It is generally admitted that, if the Japanese should be clever enough to give up when Hitler is defeated, of which no doubt there is some danger, it would mean an economic catastrophe for America.

Continuation of High Government Expenditures--Equally ironical is reference to the great federal expenditure after the restoration of peace. Though the matter has not been discussed publicly, there is a general opinion among all reasonable people that the requirements of the state, which now run at a level of more than 100 billions, and until the end of the Japanese war will be more than 60 billions, can after the war be cut to not less than 30 billions, 20 billions Federal and 10 billions State and Local.*

The interest payments on the federal debt alone will, after the war, require an expenditure amounting to around 5 billions. Defense expenditure can hardly be cut down to less than 6 billions. Pensions and other payments to war veterans will require at least 2 billions. The development of social insurance as planned and supported by public opinion will require a further 3 to 4 billions. These expenditures alone sum up to from 16 to 17 billions of dollars. In addition, there are the expenditures of somewhat the same quantitative order for relief, educational and health services, housing and such purposes.

We must recall that the federal budget during the thirties, in spite of the fact that the New Deal furthered a conscious policy of deficit financing designed to create purchasing power and to stimulate production, amounted to a scanty 8 to 9 billions, that is, less than a third of the amount mentioned above.

No Balanced Federal Budget in Sight for Years--As already stated, it is a little strange to hear from the friends of sound finance about the advantages of high federal expenditure for saving the post-war economy. Obviously, the idea is, though it is not clearly enunciated, that government expenditure is not to be covered by revenue, at least not until economic well-being and full employment are completely attained. As a matter of fact, claims for a balanced budget have received relatively minor attention and their formulation is rather abstract. Instead, everyone is outbidding the others in urging reduction of taxes for the purpose of promoting investment and production.

At the same time there is a growing realization that a public debt of large proportions can be economically a good thing--by making individuals rich and therefore willing to consume their income (in bad times also something more), thus tending to keep up and stabilize total demand in the national economy.

I dare make the prediction that, whatever party may be in control of the Congress, there will not for a long time to come, not during this decade anyhow, be a balanced budget in America.

* In conversation with economists of such different points of view as Alvin H. Hansen, on the one hand, and on the other hand Harold G. Moulton, I found an almost unanimous opinion regarding the general structure of the post-war budget.

Unfavorable Factors

Sharp Decline in Post-War Purchasing Power--I have now discussed rather completely all the factors favorable from the point of view of the trade cycle and am ready to pass over to the unfavorable ones. It is characteristic of the superoptimistic attitude, about which I have spoken, that these factors occupy a much less important place in general discussion. Thus it is very seldom realized, that the post-war period is to be characterized at the start by a steep decline of effective purchasing power. Very great conversion unemployment is to be expected regardless of the possibility of later achieving an economy of full employment. It is true that the soldiers will receive their discharge bonuses, and unemployment relief will certainly be generous, but nevertheless this conversion period will involve losses of income at least for a while.

Furthermore, it is to be recalled that wages in the war industries have been especially high. The decline of these industries will for this very reason result in a considerable tendency towards a reduction of the average level of wages.

The return to normal working time will entail a proportionally much heavier reduction of income, since overtime has been paid at 50 to 100 percent higher rates. Now it is true that people have accumulated large amounts of savings and part of the money thus saved belongs to workers' families. But decline of wage income would have the effect of vitiating the estimates of the deferred demand and preventing the savings, which the public is expected to convert into active purchasing power, from representing a net addition thereto. As an addition to purchasing power, this would merely balance the simultaneous reduction of purchasing power which is a certain feature in the conversion procedure.

Severe Regional Contraction--Unfortunately, even among professional economists, economic discussion is often chiefly concerned with the over-all situation. It is usually not realized that America after this war will face a situation comparable with that of England's depressed areas after the last war, but on a considerably increased scale. Since 1940, thirty so-called war centers have increased their population, through internal migrations, by 10 to 60 percent. When aircraft production and shipbuilding are reduced to a small part of their present volume, certain districts in the states on the West coast, such as California, Oregon, and Washington, will suffer severely. It is by no means unlikely that almost half the workers in an entire state such as California, which both with respect to area and population is about the size of Sweden, will become unemployed. But the Pacific coast will have the advantage of delay if the war against Japan continues for some time and so proportionally magnifies the importance of the western states. On the other hand, the southern states will immediately suffer from unemployment. Many munition factories and other similar plants have been located there for which it will be difficult to find any use in peace time. Along the Gulf coast, moreover, there are great shipyards. Overpopulation and poverty in the surrounding agricultural districts will make things even worse. There are, moreover, industrial districts dispersed everywhere--in New England, in the Middle West--which will suffer greatly from the cessation of war production.

Transfer of Labor--America will be confronted with the huge economic and social problem of how to transfer labor, as between industries and as between

geographical regions, into a new equilibrium. In the old--I was going to say, the good old--times, when American industry was advancing rapidly, the mobility of labor was particularly great in the United States. In both conversation and in public discussions it has become evident that many Americans confidently expect the continuance of this tradition after the war. Yet much has happened in America since the time of expansive free enterprise and mass immigration, not least with respect to the labor market.

"Too Little and Too Late" Planning

One of the most disturbing features of the lack of concerted post-war economic planning, resulting from the unfortunate internal political conditions in America, is the lack of willingness to face the conversion problems and to take the steps necessary to solve it. Even if the United States should attain good business conditions after the war--in the possibility of which I have no confidence--it will be very difficult to persuade labor to move away from the unemployment areas. Many people who have moved to the agreeable West coast will certainly plan to stay there, even if employment is going down; they will continue to hope that conditions will change or that they themselves in the long run will not be the ones caught by unemployment. In general it appears evident that labor will prove very immobile. The people as a whole, as stated, expect unemployment relief on a large scale and the presence of 15 million veterans after the war will render any other policy impossible. Generous relief may be just and desirable from social points of view and it is, moreover, a good prop for purchasing power and business activity; but it does not at all contribute to the mobility of labor. If hard times come and there is general lack of employment, as we know from the experience of the thirties, labor remains still more immobile, even in America.

Labor-Business Conflict over Wages

This problem has an even more serious significance, for it can be foreseen that conditions as between employers and employees will turn out to be very troublesome. The employers generally intend to reduce wages; in support of which action they point out that the level of the prices of their products has not risen at all comparably to the level of wages, and that the vast profits are, as already mentioned, the result primarily of the complete utilization of production capacity. The workers on their part, who, with the outstanding exception of the coal miners and in the matter of several small and short conflicts in various industries, have loyally kept their promises not to strike during the war and in the main have stood by the wage-stop policy, are generally of the opinion that they are entitled to compensation after the war. Already the leaders of the trade unions have to make great efforts in order to keep their adherents calm. The fact that, after the full employment of the war economy, they generally have some money saved will hardly make them less eager for battle. If, then, we take into account the vast unrest accompanying the conversion procedure, mass unemployment in the war-industry areas, and probably a very confused internal political situation, the result may be a radicalization of labor opinion and actual conflicts on the labor front. Unfortunately, we must even contemplate that the race question may emerge in its most terrifying form. An epidemic of violence, sometimes expressed even in bloody fights on the part of labor, will, without regard to the more direct consequences, have a depressing influence on the development of the business cycle.

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Surplus War Supplies -- These facts cast shadows over American economic discussions regarding the future and give these discussions a peculiar character of unreality and illusion. There are a number of other post-war difficulties which, on the other hand, are discussed more soberly and for meeting which there have even been prepared comprehensive, even if not far-advanced, practical plans. In the present political situation it is rather natural that these plans are concentrated on social-economic problems, which more directly are also business problems for private enterprisers.

One question is what to do with the state-owned stores. The war as a "going concern" means that the War Department has at its disposal an enormous stock of all kinds of necessities such as cars, machine tools, and office equipment, as well as textiles, shoes, blankets, and foodstuffs. At the end of the war with Japan these stocks will amount, it is estimated, to some 60 billions in money value, or about a third of the annual total production of the country. The problem is obviously how to get rid of these stocks in such order of time, to such buyers, and at such prices as not to destroy the market for the current production. The needs of relief and for the reconstruction of destroyed Europe offer, of course, opportunities for humanitarian dumping on a great scale under the administration of UNRRA, even if at the same time additional methods will have to be invented. In my opinion America will succeed in handling the liquidation of the stocks, even though a certain amount of depressing influence on business activity can hardly be avoided.

Cancellation of Contracts -- Another and probably more complicated liquidation problem arises from such contracts for deliveries of war materials as will still be in force after the war. They will have to be cancelled and individual damages will have to be fixed. It is expected that at the end of the war with Japan there will be unfulfilled contracts to a value of 75 billions of dollars. This figure is ten times as great as the corresponding figure at the end of the previous world war. These contracts are estimated to include about 100,000 principal concerns, but there are in turn, more than ten times as many sub-contractors, who will be equally dependent on a satisfactory settlement. Consequently the greater part of the American industry will be involved in this enormous settlement between the government and private enterprisers.

A main condition for an effective conversion of industry is, of course, the determination, as quickly as possible, of how much each one is liable to pay and to what extent each has outstanding accounts. There will have to be legislation--with respect to which unity has not yet been attained. There will also be extensive litigation, through which questions in particular cases will have to be decided. These decisions for the most part will have to be made after the war, that is, during the period of transition. If this whole matter is not handled with great wisdom, the resulting disputes will keep busy for a long time a much larger number of lawyers than America is now encumbered with.

Discussion concerning post-war liquidation of contracts will be still farther complicated by the fact that already now--and more and more as the end of the war approaches--the military supply boards are going to cancel certain orders. In addition to the intricate question of how to compensate the contractors, there is another and even more difficult problem--with respect to the order of procedure of cancellation of contracts that is to be carried out as between the various firms. The company which is first released from its contract will have a better

start in the struggle for the post-war market. As legislation now stands, the companies having the highest costs of production will be the first to have their contracts cancelled, because the Treasury saves money by that procedure. It is to be recalled, that payment is not made at uniform prices for the same kind of goods. In some cases the enterprises are reimbursed for their own expenses plus a certain margin of profit--the so-called "cost-plus" clause; even where a fixed price was established, it had to be flexible and necessarily adaptable to the costs of production of the particular concerns. The application of this principle of cancellation will disclose many irrationalities when the end of the war approaches, for it will mean that the less effective enterprises will be given the extra advantage of the first change-over to peace production.

Government Owned Plant and Equipment -- The most difficult problem of all will be, however, that of what to do with the government-owned plants. These undertakings are operated through private companies. In order to get a quick and effective start of war production, the government generally paid whole investment costs of both plants and machinery, and in return retained title to the property. Here enormous sums are involved. Of the factories built during the war, the value of which is put at 20 billions of dollars, the government owns three-fourths--amounting to 15 billions. The question is what to do after the war with this enormous amount of industrial machinery of which the American Government has in this way become the owner.

Government-owned plants often predominate in certain particular fields. The government thus controls 100 percent of America's total production of synthetic rubber and high octane gasoline for aircraft; 92 percent of the production of magnesium; 90 percent of the airplane factories; 50 percent of the production of machine tools; and 10 percent of even the steel industry.

These factories are not of hasty emergency construction but are solidly built and ultra-modernly equipped. About one-fourth of them cannot be counted as of any use after the war; they represent a reserve for future wars. But the remainder, probably, can be efficiently used in peace production or can by means of certain alterations be changed over to peace production. In view of the dominating needs of war, the factories are not invariably well-located with respect to the needs of peace production; but even this problem resolves itself finally into a question of the prices at which options may be taken up.

What is America now going to do with this socialized section of its industry? To continue it in state ownership would be in contradiction to American traditions. In America the Government does not even run the railways and other communications, and many towns do not own the public utility companies, and even hospitals are often private enterprises. For a change over to governmental participation in industrial activity there are at present no political prerequisites in America--not even for the handling of mixed concerns, with a certain proportion of government capital investments of the type so successfully employed in Sweden.

The natural expectancy for America is that private industry will take over the plants. But here the question of the purchase price arises. In many cases the companies which were running the factories have options at purchase prices starting from investment costs with reductions for annual depreciation. The representatives of industry have already begun to claim that industry will not be able to pay so much, referring to the fact that the investment costs were extraordinarily high during the hectic building boom existing when most of the

factories were built; that they are not always well located; and that many will have to be rebuilt in order to be adapted to the production requirements of peace time.

America's Conversion May Become a Depression

It is a matter of great general concern that these problems shall be solved as soon as possible, lest the whole conversion procedure come to a standstill and depression conditions arise. If the state should sell the plants cheaply, the whole agricultural world would revolt, and most likely the small industries also. These people will recall the great corruption and scandals of several generations ago when large areas were given away to the railway companies. But, on the other hand, if the representatives of the government hold out for high prices, the plants will not be sold. In view of this inevitable dilemma many people have proposed that, in order to prevent the discontinuance of production, the factories should be leased to the private companies. This is, of course, no satisfactory solution. There would merely be left a highly explosive source of political trouble beneath the most delicate and fundamental pillar of the institutional structure of capitalistic industry; the ownership of the means of production.

The situation is farther complicated by the seldom mentioned circumstance that the government is to negotiate only with very large companies. There will generally be no competition for the negotiators for the government to rely upon. The factories in question are of enormous size, even when judged from the angle of standards prevailing in America. Of government-financed investments of over 15 billions of dollars, 12.5 percent is in plants each having a value of 100 million dollars or more; 30 percent, in which the 12.5 percent is included, is in plants of 50 million dollars or more per unit. Only 4 percent of the total capital is invested in what Americans possibly would consider small industries, with a value less than one million dollars each. The often repeated statement that small enterprises should be favored in the disposition of the state-owned investments is pure illusion. No small enterprises will be able to take over or to run these enormous industrial plants.

War Has Fostered Big Enterprise

These problems lead me to a consideration of the relations between large and small enterprises in America, which is another important postwar problem. The war has still farther emphasized the tendency towards predominance of the large enterprises over the smaller ones. During the two year period 1941-1942, the number of wage-earners was diminished by 35 percent in enterprises employing less than 7 employees, and 18 percent in enterprises with from 8 to 20 employees. Throughout small enterprises as a whole--up to 125 employees-- the number of wage-earners remained constant. At the same time total employment in the United States increased by 15 percent. On the part of manufacturing industry this process is partly explained by the fact that the distribution of contracts for war production necessarily favored the large enterprises, especially as an essential point was to make production as speedy as possible. During the six months after the down-fall of France the 100 leading American companies received 86 percent of the money value of the government orders. Even as late as the summer of 1943, the figure was 70 percent. General Motors alone received altogether contracts with a total value of 8.5 billions of dollars. The small industries were the chief sufferers from the diminishing civilian production which took place in 1941 and 1942.

During the latter part of 1942 and in 1943, small industry received a new chance when the big companies were forced to look for sub-contractors. Consequently small industry, in so far as it had survived, could, for the time being, increase its activity; simultaneously, it became very dependent on the great companies.

At the same time that the large enterprises were expanding, monopolization made progress in America, as in other countries. This is because it has been necessary to regulate economic life with the old instrumentalities of the cartels, production and price control. The Anti-trust Division of the Department of Justice is preparing for a campaign on a large scale after the war in order to break up the monopolies. Such efforts have always been very popular in America and those in the Department concerned with this task feel sure that they will continue to receive the support of the Congress.

There are, no doubt, certain tendencies during the war the effects of which may be anti-monopolistic. In certain fields the number of independent enterprises has increased. There are now, for instance, four concerns producing aluminium compared with only one company previously. Experience gained from the conversion of production during the war is likely to reduce specialization by firms and therefore to increase internal competition within the different industries, which will feel less bound than formerly to continue certain types of production. In particular, it has been pointed out that the great companies generally have realized that the existence of a healthy small industry has a very important ideologic significance for Big Business, which otherwise would meet with difficulties when seeking protection behind the old individualistic shibboleths so dear to America, about the role of the private enterprisers and the significance of free enterprise.

Planning Confused by Election Uncertainties

A hard struggle with many complications is, however, to be expected on the monopoly front. Other conflicts of interest grow out of differences between regions, between industry and agriculture, and otherwise. It is a very alarming circumstance that not only the solution of all these problems, such as surplus stocks, war contracts, and government-owned factories, but the whole economic post-war planning must be accomplished in something around a year's time. Moreover, in this very same year, the political parties are devoting their energies to the election of the President, while the nation is united only with respect to the resolute carrying through of the war effort. The government, with regard to most internal questions and especially those which concern the post-war period, is handicapped by a very confused and headstrong Congress. The whole conversion of the economy must be accomplished in the period after the fall election--about which prediction can already be made that it probably will result in a Congress as negativistic as the present one.

Conclusions

I have now reached the point where I must put forward the final conclusions of my analysis of economic prospects. These conclusions are as follows:

It is to be expected that America after the end of the war in Europe will experience a high degree of economic unrest. There will be shortages in certain

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fields and over-production in others. Price development will be uncertain and the price structure will be badly shattered. There will certainly be mass unemployment in large areas. Great difficulties are likely to arise on the labor market. Yet it is possible that a "sellers' market" will be established so generally as to avoid an immediate post-war slump. But, probably within the period of let us say from half a year to three years, this development will change over into a slump. This slump may turn out to be a culmination of the deflationary crisis of the early twenties and the gigantic crisis between 1929 and 1932.

In the field of agriculture a continued shortage of production and very high prices are to be expected for a few years after the end of the European war. But thereafter an over-production crisis must be apprehended. This crisis may be very severe and can have an unfavorable influence on industrial activity in case the latter at the same time shows a tendency of passing into a state of decline and depression.

I am, of course, well aware of the uncertainty of this economic prognosis--as of all other economic prognoses. History is never determined until it has been lived through. Of course much can happen in the meanwhile which may alter the course of developments. I want to add that I do not deny the theoretical possibility of establishing an economic plan capable of fulfilling the optimistic hopes about stabilized full employment, though this task would be exceptionally difficult in America. But for reasons which would take us too long to discuss here, political development in America is not likely to be such as to make such planning possible.

American Economic Developments Will Have Severe World Repercussions

The economic development of America is going to have serious repercussions on the whole world. America's total imports, though corresponding to only some few percent of its national income, are sufficient to make America the second largest importing country in the world. These imports, of which up to 70 percent represent raw materials and semi-finished goods, vary in direct and somewhat enlarged relation to total production. In a study following the investigations made by Livingston, entitled Foreign Trade after the War, by August Maffry and Hal B. Lary, published in October 1943, the imports for 1948 are estimated at 6.3 billions of dollars, in 1942 prices, presupposing a state of full employment and a total production of 175 billions. Other payments for services and in the form of loans to foreign countries, under the same extremely favorable conditions, are estimated at 4 billions a year. Accordingly, there would be about 10 billions at the disposal of foreign countries. In this case the American exports should amount to 7 billions of dollars a year. This figure is twice as large as that for the year 1937, which was the record year for its decade. Before the war America was the world's greatest exporting country.

Without here being able to discuss further the extremely interesting problem of the international trade and credit activity of America, I should like to make two general observations in regard to the above-mentioned very hypothetical maximum figures. One of them is my stressing the well-known circumstance that foreign trade--even considering its marginal significance--plays, at least in the short run, a very subordinated role in America's own economic development. It is true, however, that many of America's most important larger enterprises are devoting increased attention to the world market, and this fact may also be the background of a change of the attitude towards free trade. At an earlier stage

of the war many extensive plans for the granting of loans and for exports on a large scale to backward regions of the world were put forward. As the above-mentioned maximum figures indicate, a much more chilly attitude toward these possibilities has now appeared. Foreign trade is no longer considered an important lever for keeping up employment in American post-war industry.

My second reflection is the following: the figures, small for America, are big for the world. If America goes into a crisis and a depression, the granting of loans as well as importation tend to drop considerably and the result will be that economic possibilities will deteriorate throughout the world. At the end of the twenties the amount of dollars which America put at the disposal of the world through purchases of goods and services, and by means of long-time investments, amounted to over 7 billions of dollars per year. In 1932 this figure had sunk to 2.4 billions or to only one-third of the figure of 1929. Of these 2.4 billions, 900 millions represented such payments as interest and amortization of loans, which not being paid by the foreign borrowers, represented, to express the matter otherwise, a forced export of capital. If the payments had been made, America would in 1932 have put at the disposal of the rest of the world an amount of dollars corresponding to only one-fifth of the figure of 1929. From the point of view of maintaining the equilibrium of world economy, the fact that international trade is relatively unimportant from the American point of view, and partly because of its marginal position, is permitted to vary so much, is a matter of crucial importance. Efforts are made to create security against this danger for the world by means of an international organization. But what I have seen of these negotiations does not induce me to expect that they will have a positive result within the short time with which my analysis is concerned.

Except for these last remarks I have, as was my intention, confined myself strictly to American economic prospects. But in our thoughts there is, of course, always the question of Sweden's problem and of Swedish interests. Before concluding, I want to point out that the making of economic post-war plans for Sweden is a much simpler proposition. Still we ought to be careful not to be too optimistic. We also, and we not least, are dependent on developments in the outside world. As far as I am concerned, I have to confess that my studies of the economic situation in America and my reflections as to what a slump in America would mean to Sweden have made me feel very serious. There are plenty of reasons for care lest, by too optimistic assumption, we make the task seem too easy for ourselves.

JUL 27 1944

Dear Mr. McCloy:

Thank you for the copy of Brigadier General McSherry's interesting report on the program to limit the inflationary effects of spending by American troops in France enclosed in your letter of July 22, 1944.

I am very pleased with the satisfactory results so far obtained from the Army's voluntary program of reducing troop expenditures. The plans for further steps appear to be well thought out and very promising. Please let me know if the Treasury or its representatives in the European Theater can be of assistance to the Army in furthering this important program.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. John J. McCloy,
Assistant Secretary of War,
Room 4E-836, Pentagon Bldg.
Washington 25, D. C.

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SECRET
WAR DEPARTMENT
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON, D. C.

July 22, 1944

The Honorable,

The Secretary of the Treasury.

Dear Mr. Secretary:

In furtherance of your request to be kept advised as to developments in the program to limit the inflationary effects of spending by our troops in France, I am sending you herewith a report on the subject by Brigadier General Frank J. McSherry, Chief of the Operations Branch, G-5, SHAEP.

Sincerely yours,



JOHN J. McCLOY,
Assistant Secretary of War.

1 Incl.
Report by
Gen. McSherry.

SECRET

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SUPREME HEADQUARTERS
ALLIED EXPEDITIONARY FORCE
G-5 Division

SHAEF/G5/106

8 July 1944

Major General J. H. Hildring
Director, Civil Affairs Division
Washington 25, D. C.

Dear General Hildring:

This refers to your letter of 25 June 1944, addressed to Brig. Gen. Holmes, on the subject of SCAEF's program to limit the inflationary effects of military operations.

We are keeping the French authorities informed of the measures taken by SHAEF and subordinate echelons to deal with the problem. A copy of a memorandum sent to M. Herve Alphonse is enclosed. More recently we have handed the French a copy of a release issued to the press and we will also furnish them with a copy of the analysis of the payrolls of US personnel in the UK for Jan-May, 1944, inclusive. This analysis shows a sharp decline in the net amount of pay retained for expenditure in the UK by US personnel, reflecting in part the cumulative effects of the savings program which has been pushed for several months. We plan to keep the French informed of further developments, in order to secure their cooperation in the program and to leave no doubt in their minds that SCAEF is taking every practicable step to minimize the rate of soldiers' spending in the French inflationary situation.

We note your remarks as to the legal opinion of the Judge Advocate General that compulsory withholding of soldiers' pay under the circumstances cited would be in violation of federal law. Our analysis lead us to conclude that from the economic view, a withholding of pay procedure would have substantially less effect than is generally supposed because in the absence of such withholding, U.S. troops are already spending only a relatively small part of their pay on foreign soil. In May 1944, US personnel in the UK retained only 21% of its pay for expenditure in civilian channels. In the North African theatre, the corresponding figure for April 1944 was 15.2%. To produce a net reduction in soldiers' spending, the withholding of pay would have to be so drastic as to be unacceptable to everyone concerned, including the general public.

I am enclosing a copy of SHAEF Press Release No. 50 on the soldiers' spending program which was given to the press on 28 June. The subject was given generous space in the London papers and we are awaiting with interest a report on the treatment it received by the US press. Stars and Stripes covered the subject in its War Week for 29 June and in a few days will publish an editorial advising troops to watch their personal expenditures. The Weekly Guidance to the PWD for 2 July 1944 treated with the same subject,

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Copy enclosed. Script for radio broadcasts directed to the civilian population and the troops is now in preparation. We are also developing the idea of a series of press releases to be issued, one each by the Fiscal Director, the Special Services, the Army Exchange Service and the Red Cross, explaining their facilities and how these facilities help to keep troops out of civilian establishments.

In order to provide a check on the effectiveness of the program, we have requested operational reports from the field. Until such time as we can send an economist to Normandy to keep us currently informed of developments, we are relying on periodic field reports and on the officers from this Headquarters who go to Normandy from time to time. A list of questions designed to bring out the required information has been prepared to facilitate their inquiries. As more experience accumulates, we expect to be able to improve the soldiers' spending program.

It is expected that SCAEF's program will have to be modified from time to time to meet unusual local conditions. We are informed that in Normandy, where a surplus of perishable dairy products exists, the French are requesting that the prohibition against the purchase of food items by Allied Forces be removed. The matter is now under consideration by Army Group Headquarters.

In his letter of 30 June, Gen. Holmes has already written you about the steps taken in this Theater to prevent US personnel in liberated/occupied areas from importing or dealing in US dollars and pound sterling currency, so as to discourage black market transactions that would depreciate the value of the local currency below the officially decreed rate of exchange.

The promotional material developed by the Morale Services Division looks very promising. I hope that the material will soon be put in production and made available for distribution in this theater. Our discussions with the Fiscal Director and the War Bond and Insurance Officers made it very clear that the promotional material now available is inadequate, that some of it lacked appeal from the point of view of the troops, and that facilities for distributing promotional material were inadequate. With a view to remedying the situation we discussed these problems with the Fiscal Director, his War Bond Officer and the London representative of the US Treasury Department and developed a program which should remove some of these difficulties. In this connection the material developed by the Morale Services Division should be very useful. A copy of your letter together with the "Outline of Materials to be used in Savings Campaign" is being made available to the various branches directly concerned in order that they might begin to plan for the use and distribution of the materials.

Wm J. McSherry
F. J. MCSHERRY
Brig. Gen.

Chief, Operations Branch, G-5

SUPREME HEAD-QUARTERS ALLIED MONETARY FORCEPRESS RELEASE 50SOLDIERS' SPENDING

The Supreme Commander has approved a programme designed to reduce the personal expenditures of Allied troops on the Continent, to keep to an absolute minimum the effect of the presence of Allied troops on the economies of the liberated countries, and to avert the danger that soldiers' spending will stimulate inflation.

The U.S. programme includes the following points:-

1. Encouraging soldiers to save a substantial part of their pay and making available to them attractive savings facilities.
2. Providing a wide variety of goods and services through Post Exchange facilities, Special Services and the Red Cross, in order to reduce the attraction of civilian establishments to the troops.
3. Educational campaigns among troops to demonstrate to them the undesirable effects of their carefree spendings on the local economies and on their own economic welfare.
4. Where deemed necessary, placing civilian retail establishments, including restaurants, off limits, and, with co-operation of local government authorities, supervision of such other establishments as are permitted to sell to military personnel.

British and Canadian authorities likewise are seeking to reduce the personal expenditure of British and Canadian troops in France.

As a guide to the development of this joint programme an analysis was made of how U.S. troops in Italy and Britain disposed of their pay.

It was found that during the early months of the operations in Italy, U.S. soldiers spent only 15 per cent of their pay for local goods and services; the remaining 85 per cent went for allotments, remittances home, savings and expenditures in Army establishments. In later months, when more shops were reopened, expenditure of troops in Italy rose to about 25 per cent of their pay and remained stabilized at about that level.

Approximately the same percentages of expenditure by U.S. troops for goods and services in the United Kingdom during the past six months was noted -- that is, the troops spent about one-quarter of their pay in British shops and for British services; three-quarters of their pay was sent home or spent in Army channels.

It is the aim of the military authorities to reduce the proportion of expenditures for local goods in France even below this level. All unit

commanders, have been instructed to analyse the payrolls and pay vouchers of personnel under their command, and personally interview every officer and man who does not have a systematic plan saving programme covering more than half of his or her pay.

The rate of exchange, 200 francs to the pound sterling and 42.500 francs to the dollar, fixed after consultation with the French Committee for National Liberation will not make prices seem low to troops and, therefore, will be a discouraging factor to spending by army personnel.

As a further move toward keeping soldiers out of civilian establishments the U.S. Army's Special Services organization and the British welfare Organization are planning to extend their recreational facilities for army personnel, the programme to include mobile picture units, travelling theatrical groups and sports facilities.

An order has been issued prohibiting individual members of the British and U.S. forces from making any local purchases of rationed commodities for individual use, and also prohibiting other purchases. The army authorities plan, after a study of local conditions and in co-ordination with local authorities to relax this prohibition to the extent that local supply conditions permit.

Commanding officers of all military formations have been authorized to place off limits any retail outlets, including restaurants, which in their judgment require such action; and commanding officers also are authorized to initiate steps with the co-operation of local authorities to control the price and quality of merchandise in establishments which may in the future cater to military personnel.

++++++

41

SUPREME HEADQUARTERS
ALLIED EXPEDITIONARY FORCE
G-5 Division
Financial Branch

SHAEF/G-5/FIN/106

12 June 1944

TO : M. Herve Alphan
4 Carlton Gardens
London, S. W.

Dear M. Alphan:

Pursuant to our conversation on 10 June 1944, I am enclosing for your information a copy of a memorandum which was prepared in the Financial Branch, G-5, indicating the measures taken by SHAEF and subordinate echelons to deal with the problem of soldiers' expenditures.

We are constantly studying this problem in the hope of taking all proper measures to deal with the matter.

Very truly yours,

B. BERNSTEIN
Colonel, GSC
Deputy Chief
Financial Branch, G-5

BB/b

Enc. 1

SECRET
PERSONAL EXPENDITURE ACCOUNT

1. Introduction

Comprehensive programs have been adopted to minimize the impact of the personal expenditures of US troops on the economies of the countries where US troops are stationed. These programs include:

- a. Educational campaigns among troops to bring home to them the undesirable effects of their carefree spendings on the local economies and on their own economic welfare.
- b. Encouraging soldiers to save a substantial part of their pay and making available to them attractive savings facilities.
- c. Providing a wide variety of goods and services through Post Exchange facilities, Special Services, and the Red Cross, in order to reduce the attraction of civilian establishments to the troops.
- d. Where deemed necessary, placing retail establishments (including restaurants) off limits, with supervision of establishments permitted to sell to military personnel.

2. Data on Soldiers' Spendings

To provide information on the amount of soldiers' savings and to gauge the effectiveness of the various programs directed toward reducing such spending, monthly reports are prepared summarizing the disposition made by US troops of their pay. These tabulations indicate that the programs to reduce soldiers' spendings have been very successful.

During the early months of the Italian operation, allotments, savings and expenditure in Army establishments accounted for approximately 85% of the total pay accruing to US Army personnel; only 15% of the pay was retained for purchase of local goods and services. In subsequent months, after goods began to appear in the shops, the percentage of pay retained by military personnel for purchase of local goods rose to 25% and has stabilized at approximately that level.

In the UK, US troops are making a substantially similar disposition of their pay. During April 1944, US military personnel allotted 49.33%, saved 15.98%, spent in army channels 8.88% and retained 25.81% for expenditure in civilian establishments. The disposition of their April pay was as follows:

Total pay accruing to officers and EM	100%
Diverted to insurance	6.62
Diverted to war bonds	5.16
Diverted to allotments	37.55

SECRET

SECRET

43

Total diverted	49.33
Total pay retained in U.K.	50.67
Saved: soldiers' deposits, PTA, cash purchase of war bonds, money orders	15.98
Spent in Army channels: Stars and Stripes, PX, Ration, stamps, CN, Red Cross	8.88
Total diverted, saved or spent in Army channels	74.19
Amount available for purchase of British goods and services	26.81%

3. Program for North West Europe Operation

An extensive program has been formulated to reduce the volume of soldiers' spendings in liberated/occupied areas in North West Europe:

- a. Instructions are being issued to military formations to instruct military personnel under their command on the economic effects of carefree expenditures. In addition, plans are being formulated for a series of articles to be published in "Stars and Stripes" designed to encourage military personnel to save more and spend less. Savings, Post Exchange, Special Services, and other facilities available for the troops will be explained. Broadcasting facilities will also be used for the educational purposes.
- b. The use of the Soldiers' Deposits, purchase of War Bonds, and the transfer of funds to the US by personal transfer account (PTA) is being encouraged. A communication from the Deputy Theater Commander to commanders of all formations requires that all unit commanders analyze the individual payrolls and pay vouchers of personnel in their command and personally interview each individual who does not have a systematic planned saving program covering more than half of his or her pay. In addition a plan is under discussion with the RTO Bond Officer, with a view to requesting the assistance of the US Treasury Department's War Bond Division in the preparation of bond sale promotion material, including film shorts, posters and circulars.
- c. Special Services is planning to extend its recreational facilities. This will assist in keeping troops out of civilian establishments and off the streets. It is prepared to facilitate the establishment of civilian concessionaires at army posts where it is desirable to install such facilities for the benefit of the troops. It will also make available

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SECRET

press and radio facilities or programs to persuade army personnel to reduce their expenditures for local goods and services and to remit their funds to their home country.

- d. The Army Exchange Service is planning an expanded service. Special effort will be made to carry an extensive line of souvenirs acquired in liberated areas. Efforts will be made to take over local breweries and provide 3.2 beer for sale at Post Exchanges. A careful Post Exchange procurement policy has been developed and it is planned to seek the co-operation of local governmental authorities in the selection of local goods suitable for sale as souvenirs, and possibly in giving priority to the rehabilitation of the industries producing souvenir items.
- e. SHAEF Administrative Memorandum No. 6 prohibits individual members of British and US forces from making any local purchases for individual use (including purchase of food in restaurants). It is contemplated that after a study of local conditions this prohibition will be relaxed to the extent warranted by the local supply conditions.
- f. Instructions are being issued to all military formations authorizing them to place off limits retail outlets including restaurants and requiring close control of price and quality of merchandise in establishments permitted to cater to military personnel.
- g. The importation and dealing in U.S. dollar and pound sterling currencies by Army personnel is prohibited so as to discourage black market transactions which would depreciate the value of the French franc below the official rate. The high value placed on the franc in terms of dollars and sterling will have the effect of discouraging Army personnel from purchasing goods in France.

SECRET

CONFIDENTIAL

CONFIDENTIAL

45

SUPREME HEADQUARTERS
ALLIED EXPEDITIONARY FORCE
G-5 Division

SHAEF/G-5/(PR)/1202/

2 July, 1944

SUBJECT : Weekly Guidance, G-5 (No. 5)

TO : Chief, Psychological Warfare Division. (10 copies)

Herewith current SHAEF, G-5 guidance for your next directive:

1. The Black Market.

Before liberation it is patriotic for the inhabitants of Nazi-occupied areas to patronize the Black Market and to hoard food. After liberation it is just the reverse. Reasons for this should be fully and persuasively explained in all ways possible. Here are basic arguments against the Black Market:

- i. It causes a serious maldistribution of foods and other essential goods.
- ii. It is an important contributor to inflation and all inflation's attendant evils.
- iii. It produces general disrespect for laws and regulations, obedience to which is required for successful Civil Affairs operation.
- iv. It makes for unrest throughout the population; those inhabitants who do not buy in bootleg shops do not live as well as their less patriotic neighbours.

2. Allied Troops and the Black Market.

Fundamentally the sureness of economic control and not police regulations determines whether the Black Market flourishes or is held to a minimum (or even stamped out). Even so, every proper care should be taken to prevent support of the Black Market by newcomers in a liberated area, e.g., our troops. Basic reasons:

- i. The more troops buy in the Black Market the more they will have to pay; it is to their self-interest not to push prices upward.
- ii. Black Market purchases set a bad example for civilians; conversely strict abstention is an incentive to civilians to keep out of bootleg sales.
- iii. Goods bought by troops in Black Markets are needlessly taken away from civilians who require them - including small children and the aged.
- iv. Support of the Black Market is essentially an exercise of vanity, a means to "throwing money around". Bad taste anywhere, this offensive indulgence has no place in the presence of people who have starved or worse under Nazi rule.

3. Cautions Against Premature Actions.

The caution against premature local acts of resistance or sabotage or demonstrations of protest should be repeated and underscored. The tests of such activity are the risks and the effectiveness. All groups should be properly guided so as not to act prematurely and at too great a cost. The rioting in Copenhagen following the imposition of the curfew provides a case in point.

CONFIDENTIAL

CONFIDENTIAL - 9 -

12797

Regraded Unclassified

4. Food in Normandy.

One important contributor to the seeming surplus food in Normandy is the fact that the battle line cuts off the region from its natural market, namely, Paris.

As operations progress large urban centres will be liberated and in these food supplies will be found to be very limited. Populations of more favoured areas should be appealed to use their resources sparingly now so they may assist in the relief of their less fortunate countrymen later on.

5. The Incidence of the War.

The sacrifices in life, property and resources required of people in the combat areas are the tragic and inevitable consequences of war.

These sacrifices contribute to the common victory and that hastens the day when all Frenchmen will be free of Nazi domination.

To that end every person should assist to the fullest in maintaining order and the execution of the military commands which operations require.

6. Reiteration of Previous Guidance.

No reference of any sort should be made to the planning, policies or missions of the Fiscal, Legal or Public Health Branches of SHAEP, G-5. Specific instructions will be issued by these in due time. The guidance to Displaced Persons and refugees to stand fast is unchanged.

For the AOCG, G-5:

H. PRICE-WILLIAMS,
Brigadier,
Executive,
G-5 Division.

Copies: G-5 Distribution "A".

CABLE TO ACKERMANN AND SAXON, ALGIERS

Is Gruber accompanying refugees? Advise immediately. If not make arrangements at once for her return.

Advise Ackermann.

THIS IS WEB CABLE TO ALGIERS NO. 39

July 27, 1944
9:25 a.m.

PLAIN

July 27, 1944

PLAIN

AMEMBASSY,

LONDON

5906 twenty-seventh

War Refugee Board requests that Department facilitate travel of Miss Laura Margolies, representative American Jewish Joint Distribution Committee, now in Barcelona from London to Stockholm. Can you make arrangements for her onward transportation to Stockholm from London. Margolies is going to Stockholm to engage in private relief activities in the interest of refugees.

HULL
(GLW)

HULL

WRB:GLW:OMH
7/22/44

VD

NOE

S/CR

cc: Miss Chungking

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATED: July 27, 1944
NUMBER: 5956

CONFIDENTIAL

You are referred to despatch No. 17024 of July 24, and Embassy's cable of July 22, No. 5811.

The Embassy has just been advised of discussion with representative of International Red Cross delegation London in connection with Horthy proposal in a letter from Director IGC.

Since it is feared that the offer will be withdrawn or at least decreased in scope, on the contention that other countries (particularly United States and Great Britain) are disinterested, the representative of InterCross is extremely anxious that positive answer be given as soon as possible. The determination of a course of action in response to offer and arrangements for necessary provision for IGC to proceed in accordance with the action decided upon by the American and British Governments is strongly urged by chief delegate IGC. In this connection, IGC wants to correlate action with WRB and is extremely anxious to make arrangements for havens of refuge, maintenance and transportation of Jews permitted to depart from Hungary. We request that WRB be informed of the foregoing. We are forwarding via airmail complete text of Director's letter.

WINANT

DCR: GFW
7-29-44

EE-446

PLAIN

London

Dated July 27, 1944

Rec'd 11:59 p.m.

Secretary of State

Washington

5982 Twenty-seventh

Two London newspapers today carried articles concerning the rescue of Jewish refugees in German controlled territory particularly Hungary.

The TIMES and the NEWS CHRONICLE report in brief the reception yesterday by Eden of a deputation arranged by the "National Committee by Archbishop of Canterbury and included representatives other religious dominations Jewish organizations and members both Houses of Parliament. Deputation submitted proposals for facilitating rescue work and received Eden's assurance that all aspects of matter were under very active consideration and that all practicable steps would be taken to rescue largest number possible.

NEWS CHRONICLE also reported alleged offer of Horthy to take certain steps to relieve situation of Jews in Hungary. Same newspaper in editorial urges swift response after asserting that Horthy felt impelled to make it because Soviet triumphs have convinced him that Axis cause is lost.

WINANT

HTM

FBN-387

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

Jerusalem

Dated July 27, 1944

Rec'd 8:37 p.m.

Secretary of State,

Washington.

105, July 27, 4 p.m.

FOR WAR REFUGEE BOARD FROM HETACH DUTHOLEY YAVAN, TELAVIV:

"Please transmit following message to Simon Nessim, Chairman of Greek Committee, World Jewish Congress:

"Referring to your telegram of July 12 about a thousand Jews rescued from Greece reached Palestine so far. Endeavoring with full support Jewish Agency rescue largest possible number. Hope welcome further 2000 by autumn. About 500 Jews of whom nearly 400 from Salonika awaiting at Casablanca immigration certificates Palestine. Further 250 Jews, Spanish citizens, deported from Athens to Germany left Belsenberg and are expected Spain end of July. Regarding position of refugees here mostly were previously wealthy but all arrived distressed condition. Are distributing to them clothing free medical assistance through Palestine Workers Sick Fund and 3 free meals daily. Aliath Hancar under Henrietta Sould taking charge of large number of children. Experiencing serious difficulties housing. Many receiving temporary hospitality with residents of Greek origin. We built accommodation 20 families and are planning other housing schemes much larger scale but financial means lacking. We urge Greek Jews America extend unstinted support their brethren in utter distress. Please use your personal influence arouse solidarity and possibly cable remittance to meet most urgent requirements. Mailing full report situation."

PINKERTON

WMB WFS

BB-149

PLAIN

Lisbon

Dated July 27, 1944

Rec'd 11:04 a.m.

Secretary of State

Washington

2315, July 27, 1 p.m.

ATTENTION JAMES MANN WRB 119.

David Schweitzer, HICEM representative Istanbul telegraphed July 21 asking Bertrand Jacobson leave Lisbon for Istanbul to take charge HICEM work there, Schweitzer leaving. Jacobson possesses Turkish Egyptian-Palestine visas also all United States and French military transit permissions necessary. Airgram A-443, June 6; telegram 2065, July 3 sent Department by consular section. No reply to date. Please intervene as immediate departure necessary for rescue work.

BORNED

JT

SFG-374

PLAIN

Lisbon

Dated July 27, 1944

Rec'd 9:25 p.m.

Secretary of State

Washington

2318, July 27, 4 p.m.

WRB 120 Unitarian 308 for Edward Cahil from Elisabeth Dexter. Champsaur received military permission for Algiers today other needed documents available here soon. She eager go. Imperative receive your instructions soonest after you confer with Brooks. Prompt (repeat prompt) decision essential. If committee desires work France later I strongly advise sending her now. Telegraph through WRB.

If Champsaur leaves competent personnel here increasingly necessary. Your 122 last letter received. Keep me informed general developments by telegraph.

NOEWEB

HTM

ME-370

PLAIN

Lisbon

Dated July 27, 1944

Rec'd 9:27 p.m.

Secretary of State,

Washington.

2325, twenty-seventh, 6 p.m.

FOR LEAVITT FROM PILPEL

WEB 121JDC 35. Please consult War Refugee Board Washington reference our regular 17 and your July 21 basis information available here believe suggested source unfruitful.

NORWEB

BTM

MS-369

PLAIN

Lisbon

Dated July 27, 1944

Rec'd 9:29 p.m.

Secretary of State,

Washington.

2326 twenty-seventh, 6 p.m.

FOR LEAVITT FROM PILFEL

WRB 122 JDC 36. Further our 27 total recent arrivals Spain now 360 including 31 children without parents.

NORWEB

MTM

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

July 27, 1944

9 p.m.

AMEMBASSY

MADRID

2113

The following is from the Department and the War Refugee Board. Reference Department's 992 of April 10 and subsequent message dealing with holders of Latin American passports.

Embassy, La Paz, informs Department that Bolivian Minister of Foreign Affairs has stated to the Charge' that (1) Bolivia would refrain from withdrawing any Bolivian passports now in possession of persons detained by German authorities; (2) if and when the protecting power of Bolivian interests on the request of the German authorities submits lists of persons holding Bolivian passports, Bolivia will instruct the protecting power that such passports have been confirmed; (3) Bolivia gives its approval to the Government of the United States approaching the German Government through appropriate channels with a view to initiating negotiations for the exchange of German nationals for holders of Bolivian passports or consular documents; and (4) that Bolivia would immediately communicate with the local representative of the protecting power (Spain) with a demand that the lives of all persons holding Bolivian passports or claiming Bolivian citizenship on the basis of consular documents be safeguarded and that they be given all rights, privileges and immunities accorded to civilian internees of enemy nationality to whom the Geneva Convention regarding the treatment of prisoners of war is currently applied by analogy.

Department is taking appropriate action with regard to (3).

The above may be informally transmitted to appropriate Spanish authorities for their information.

Please express Department's and Board's sincere appreciation to appropriate Spanish authorities for action reported in your 2479 of July 15.

HULL
(GLW)

WRB:MMV:OMH

WE

WGA

7/26/44

SWP

mhh

CABLE TO MINISTER JOHNSON AT STOCKHOLM AND OLSEN

Reference Department's _____ of _____. WEB's 47.

There follows for your guidance and for transmission to Wallenberg in your discretion the substance of a message from Embassy Ankara:

QUOTE There is now in active operation an organized underground movement for transportation of refugees across the border from Hungary into Rumania. No figures regarding the actual number who have crossed into Rumania by this method are available for obvious reasons, but we are reliably informed that 600 to 700 refugees from Hungary are now in Bucharest. In addition, refugees from Hungary estimated to number 700 to 800 are now hiding in frontier towns.

After the arrival of these refugees in Rumania, Baron von Killinger, German Minister to Rumania, brought pressure to bear on the Rumanian Government to enact a decree to the effect that anyone escaping across the Rumanian border would be executed by the Rumanians forthwith. This decree was enacted and actually published in Rumania.

We are informed that the Rumanian Government has not enforced the decree but is requesting the Jewish organizations in Rumania to arrange for the evacuation of the refugees from Hungary at the earliest possible moment.

The Rumanian Government is reported not to be interfering at the present time with the escape of refugees from Hungary into Rumania in the manner referred to above. From my observations here, this escape route, while fraught with dangers, offers at the moment the best means of evacuation of appreciable numbers of refugees from Hungary. The requisites for the utilization of this route are: One, carefully chosen personnel; two, tacit acquiescence of Rumanians, and three funds for the documentation, feeding and clothing of the refugees and the subsidizing of INNERQUOTE agents. END OF INNERQUOTE. UNQUOTE

THIS IS WEB STOCKHOLM CABLE NO. 61.

1:20 p.m.
July 27, 1944

LSL:essr:tmh 7-26-44

Regraded Unclassified

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

July 27, 1944

11 p.m.

AMLEGATION,

STOCKHOLM

1485

The War Refugee Board cable 60 is for Olsen.

Treasury has received application from Stephen Lengyel to remit \$2,000 to King of Sweden in connection with following cable sent by Lengyel to the King:

QUOTE I DESPERATELY BEG FOR MY FAMILYS LIFE AND IMPIOY
YOUR MAJESTYS HELP TO SAVE THEM FROM NAZI EXTERMINA-
TION GIVING THEM TEMPORARY REFUGE BY CONTACTING AND
GRANTING THEM A VISAS INTO SWEDEN SIMULTANEOUSLY I
ASKED THE FEDERAL BANK TO FORWARD ALL NECESSARY FUNDS
FOR TRANSPORTATION AND UPKEEP TO AVOID ANY BURDEN TO
SWEDEN I AM FINANCIALLY RESPONSIBLE FOR ALL EXPENSES
THEIR NAMES ARE MY BROTHER ALEXANDER LENGYEL MOTHER
ETHEL LENGYEL EGER HUNGARY USZODA UCCA 9 MOTHERINLAW
HERMINE STEINITZ SZENDE SISTERINLAW CLARA SZENDE
SEBESTYEN BROTHERINLAW LADISIAS SEBESTYEN AUNT ELSA
STEINITZ MOLNAR BUDAPEST TEREZ KORUT 2 GOD BLESS
YOU AND I PRAY THAT THEY STILL LIVE UNQUOTE

Before Board makes recommendation to Treasury, we would appreciate your views on proposed transaction, including possible alternatives you may wish to suggest.

WRB:MMV:OMH
7/26/44

NOE

HULL
(GLW)

SWP

S/CR

EAG

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

July 27, 1944

midnight

AMLEGATION,

STOCKHOLM

1486

The cable below for Olsen is WRB 59.

Hicem representative Lisbon reports having been advised by reliable source that acting Hungarian Charge d'Affaires, Lisbon received following message from his Government:

QUOTE One. Responding to appeal from Swedish Government Hungarian Government agrees permit emigration to Sweden or Palestine of Jews who have relations living in Sweden or who have business connections there. Two. Responding to appeal of British Government through Swiss Government. Hungarian Government agrees to renew the formerly effective but meanwhile suspended permission of Jews possessing valid entry visas to emigrate Palestine. Three. To the appeal of the War Refugee Board by way of Switzerland, Hungarian Government agrees to admit assistance by International Red Cross for Jews in camps or ghettos in Hungary and to despatch Jewish children under ten years of age to Palestine. While these measures are being carried out deportations of Jews for labor abroad is suspended. UNQUOTE

Please endeavor through such channels as may be available to you to ascertain promptly whether any such message was transmitted to local Hungarian mission and the extent to which the same may be substantiated as representing current Hungarian policy. Please advise Board as quickly as possible of the results of your inquiries.

HULL
(GLW)

S/CR

WRB:MMV:OMH
7/26/44

NOE

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WE

NE

CABLE TO MINISTER HARRISON AT BERN AND MCCLELLAND

1. Even if the information reported in your 4604 of July 19 was intended as a response to the June 13 note, there is no objection to proposal contained in last sentence of your 4506 of July 14. Hungarian acquiescence in departure of Jews holding entry permits to other countries can not (repeat not) be considered satisfactory since under the circumstances it carries with it the implied threat to continue the persecution and deportation of those who remain. Since it is not (repeat not) probable that mass emigration of Jews in Hungary numbering hundreds of thousands can be arranged under war conditions, the Hungarian attitude reported in your 4604 is not (repeat not) likely to be of any real assistance to any substantial number. For this reason, your proposal commends itself to both the Department and Board.

2. Reference Department's 1946 of June 6, WRB's 33, Department's 2142 of June 23, WRB's 35, and your 3869 of June 17 to the Department. The Board would appreciate knowing to what extent, if any, Locher, Perry, and Kanitz have been able to be helpful and whether the services of Peyer and the former Loew Angern representative have been utilized. Also whether Popper and Grimm have become helpful in any way.

THIS IS WRB BERN CABLE NO. 101.

July 27, 1944
9:25 a.m.

CABLE TO MINISTER HARRISON AT BERN AND MCGILLAND

Reference your 4257 of July 5,

There follows for your guidance the substance of a message from
Ambassy Ankara:

QUOTE There is now in active operation an organised underground movement for transportation of refugees across the border from Hungary into Rumania. No figures regarding the actual number who have crossed into Rumania by this method are available for obvious reasons, but we are reliably informed that 600 to 700 refugees from Hungary are now in Bucharest. In addition, refugees from Hungary estimated to number 700 to 800 are now hiding in frontier towns.

After the arrival of these refugees in Rumania, Baron von Killinger, German Minister to Rumania, brought pressure to bear on the Rumanian Government to enact a decree to the effect that anyone escaping across the Rumanian border would be executed by the Rumanians forthwith. This decree was enacted and actually published in Rumania.

We are informed that the Rumanian Government has not enforced the decree but is requesting the Jewish organizations in Rumania to arrange for the evacuation of the refugees from Hungary at the earliest possible moment.

The Rumanian Government is reported not to be interfering at the present time with the escape of refugees from Hungary into Rumania in the manner referred to above. From my observations here, this escape route, while fraught with dangers, offers at the moment the best means of evacuation of appreciable numbers of refugees from Hungary. The requisites for the utilization of this route are: One, carefully chosen personnel; two, tacit acquiescence of Rumanians, and three funds for the documentation, feeding and clothing of the refugees and the subsidizing of INNER QUOTE agents END OF INNERQUOTE. UNQUOTE

THIS IS THE BERN CABLE NO. 102.

1:15 P.M.
July 27, 1944

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: July 27, 1944
NUMBER: 2581

CONFIDENTIAL

FOR McCLELLAND FROM THE DEPARTMENT AND THE WAR REFUGEE BOARD.

Embassy, LaPaz, informs Department that Bolivian Minister of Foreign Affairs has stated to the Charge that (1) Bolivia would refrain from withdrawing any Bolivian passports now in possession of persons detained by German authorities; (2) if and when the protecting power of Bolivian interests on the request of the German authorities submits lists of persons holding Bolivian passports, Bolivia will instruct the protecting power that such passports have been confirmed; (3) Bolivia gives its approval to the Government of the United States approaching the German Government through appropriate channels with a view to initiating negotiations for the exchange of German nationals for holders of Bolivian passports or consular documents; and (4) that Bolivia would immediately communicate with the local representative of the protecting power (Spain) with a demand that the lives of all persons holding Bolivian passports or claiming Bolivian citizenship on the basis of consular documents be safeguarded and that they be given all rights, privileges and immunities accorded to civilian internees of enemy nationality to whom the Geneva Convention regarding the treatment of prisoners of war is currently applied by analogy.

Department is taking appropriate action with regard to (3).

The above may be informally transmitted to appropriate Swiss authorities for their information.

THIS IS WEB BERN CABLE NO. 95.

HULL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: July 27, 1944
NUMBER: 2582

CONFIDENTIAL

FOR MCCLELLAND FROM WAR REFUGEE BOARD.

Please deliver following message to Saly Mayer from M. A. Leavitt, Joint Distribution Committee:

QUOTE For three months period, July 1, to September 30, you are authorized to arrange local borrowing for relief purposes as follows: Rumania \$300,000, Hungary \$300,000, France \$300,000, Northern Italy \$30,000, total for three months \$930,000. Please arrange to keep separate accounts of transactions undertaken under these authorizations which represent total authorizations for these countries and supersede previous authorizations given you. Transactions already entered into in July should be included in the overall total. From time to time we suggest you advise us through Bern Legation amounts for which transactions consummated and countries concerned. Please note these authorizations relate exclusively to local borrowing against eventual repayment by us in sterling or dollars and we would appreciate being kept advised extent sterling and dollar obligations made. In addition we have available for time grant for local borrowing in Hungary sum of \$20,000. If transaction made for this special sum please keep separate account this item. Assume International Red Cross will continue their cooperation in arranging details of local borrowing. Please advise us by September 1 whether you believe foregoing rate of authorizations should be continued for last quarter of year, or whether they should be increased or decreased, if possible giving us some supporting data for your recommendation. Copy this cable being repeated to Joint Distribution Committee, Lisbon. UNQUOTE

THIS IS WRB CABLE TO BERN NO. 90

HULL

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: July 27, 1944
NUMBER: 2583

SECRET

TO McCLELLAND.

Lisbon representative Lisbon reports having been advised by reliable source that acting Hungarian Charge d'Affaires, Lisbon received following message from his Government:

QUOTE One. Responding to appeal from Swedish Government Hungarian Government agrees permit emigration to Sweden or Palestine of Jews who have relations living in Sweden or who have business connections there. Two. Responding to appeal of British Government through Swiss Government, Hungarian Government agrees to renew the formerly effective but meanwhile suspended permission of Jews possessing valid entry visas to emigrate Palestine. Three. To the appeal of the War Refugee Board by way of Switzerland, Hungarian Government agrees to admit assistance by International Red Cross for Jews in camps or ghettos in Hungary and to despatch Jewish children under ten years of age to Palestine. While these measures are being carried out deportations of Jews for labor abroad is suspended. UNQUOTE

THIS IS WRS BERN CABLE NO. 97.

HULL

July 27, 1944

3 p.m.

TO BE SENT IN SECRET "W"

RAS
distribution of true
reading only by special
arrangement (SECRET W)

AMEMBASSY,

ANKARA

658

The following War Refugee Board cable 85 is for
Hirschmann.

The War Refugee Board concurs in conclusions indicated
in your 1322 of July 20 (WRB No. 100). Your efforts to
coordinate the activities of private organizations are
greatly appreciated.

HULL
(GHW)

WRB:MMV:OMH
7/26/44
S/QR

NE

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

TO BE SENT IN SECRET "F"

July 27, 1944

9 p.m.

AMEMBASSY,

ANKARA
662

The cable below for Hirschmann is WRB 84.

The following names have been suggested by sources believed to be reliable for contact in connection with rescue activities in behalf of persecuted people; ILIE MOSCOVICI VATRA LUMINOASA BUCHAREST DIMITRIE POP BUCHAREST AND LOTHAR RADECEANU BUCHAREST BERL FRIEDMAN STR AUSTRIE BUCHAREST LEON GELLER STRADA COMANESCU 10 JASSY HUNGARY INCZE LASZLO AND FAMILY HAGYVARAD ARANY JANOS UCCA 2 HUNGARY EUGEN TORES BUDAPEST GUYON RICHARD AND MARGARET ST 4 BUDAPEST II AND LASZLO GERO SAME ADDRESS NICOLAS STIASNY BUDAPEST V POZSONYI UT 14 EMIL STIASNY BUDAPEST III ZSIGMOND KIRALY UT 96 MRS ERZSI SZILAGYI BUDAPEST III KRISZTINAKORUT 26.

Please communicate all of these names to Leon P. Denenberg, Representative of the International Rescue and Relief Committee, Istanbul, and discuss with him the possibility of using the names.

HULL
(GHW)

WRB:MMV:OMH
7/26/44

S/CR NE

SE

LFG-420
Distribution of true
reading only by special
arrangement. (SECRET W)

Ankara

Dated July 27, 1944

Rec'd 10:50 p.m.

Secretary of State,

Washington.

1351, July 27, 9 p.m.

FOR PHLE WEB FROM KELLEY

Ankara No. 109

Upon Mr. Hirschman's informing me that the Bulgarian Minister had advised him that the Bulgarian Government was agreeable to the use of the Bulgarian vessels VITA and PIRINE for the evacuation of refugees from Burgas, I requested that the Secretary General of the Ministry of Foreign Affairs to authorize the two Bulgarian vessels in question to proceed to Istanbul with refugees from Burgas. I informed him that the Bulgarian Government had given its consent to the use of these two vessels for the evacuation of refugees provided the Turkish Government gave its approval. I said that each of these vessels was capable of transporting about 400 refugees. I urged that the Turkish Government permit these vessels to make not merely a single voyage but repeated voyages provided the Bulgarian Government would agree to such arrangement. The Secretary General welcomed the idea and said that the Turkish Government was particularly interested in establishing a regular procedure for the evacuation of refugees from the Balkans through Turkey. In the present instance, he said that it would be possible to arrange for one of these boats to arrive in Istanbul from Burgas every 10 days or 2 weeks and that way the Turkish Government would be able to make arrangements in advance for the movement of the refugees by train from Istanbul to Syria. He said that the idea appealed to him and he would recommend it to his Government. I requested him to issue appropriate instructions as soon as possible to the Turkish Consul in Sofia so that one of these vessels could leave for Istanbul in the very near future. He promised to do so.

KELLY

WMB ER

EMBASSY OF THE
UNITED STATES OF AMERICA

68

SECRET

No. 6248

Caracas, Venezuela, July 27, 1944.

Subject: Venezuela gives consideration to steps to provide means for rescue and relief of victims of enemy oppression.

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

Sir:

I have the honor to refer to the Department's secret (restricted) circular airgram of June 20, 1:30 p.m. and to report the following action taken:

Steps were immediately taken through channels available to the Embassy to give publicity to the President's action and news articles on this subject were published in the principal Caracas papers supported by sympathetic editorial comment in some of the issues.

At the same time the matter was discussed fully with the Venezuelan Foreign Minister and the War Refugee Board's cable quoted in the instruction under reference was furnished to the Minister in a note in which the significance of action in the refugee field was emphasized along with the determination of our Government to find a haven of refuge for persecuted peoples who can escape from German dominated areas. Inquiry was also made concerning the possible means by which further aid in the rescue and relief of victims of enemy persecution may be given by the Venezuelan Government.

In reply to this Embassy's inquiry I have now received a communication from the Foreign Minister under date of July 26, 1944 stating that the Foreign Office has examined the contents of the Embassy's communication with care and has requested other Ministries of the Venezuelan Government to acquaint the Foreign Office with their viewpoints on the matter, and that as soon as possible the Minister will inform me of the conclusions reached.

Respectfully yours,

Joseph Flack,
Charge d'Affaires ad interim

JF:na

NOT TO BE RE-TRANSMITTEDCOPY NO. 11SECRETOPTEL No. 244

Information received up to 10 a.m., 27th July, 1944.

1. NAVAL

HOME WATERS. 25th. One of H.M. Monitors bombarded batteries in the HOULGATE area and a Dutch gunboat engaged enemy positions W of CABOURG.

25th/26th. Suspected mine laying by enemy surface craft off mouth of SEINE. Enemy aircraft operated in Eastern sector.

26th. U.S. anchorage bombed, no damage to shipping but slight personnel casualties.

MEDITERRANEAN. First convoy arrived ANCONA on 23rd. Approach channels to LEGHORN have been swept. 1 M.T.B. sunk and another damaged during action with enemy convoy in ADRIATIC on 23rd/24th.

2. MILITARY

N.W. FRANCE. U.S. troops have crossed river SEVES, N. of PEIERS, captured MARIGNY and ST. GILLES and made slight advances S. and S.W. of BERIGNY. S.W. of BOUGEUBUS hard fighting in which Canadian Divisions have held their positions without appreciable change.

ITALY. Small advance S.W. of FLORENCE.

3. AIR OPERATIONS

WESTERN FRONT. 25th/26th. Tonnages: STUTTGART 1420, BOCHUM 420, 3 flying bomb sites 355.

26th. Allied aircraft dropped 45 tons in MARIGNY area, 160 tons on 3 fuel dumps, 200 tons on transportation targets. Enemy casualties 6, 1, 9. Allied 13, 0, 3.

26th/27th. Aircraft despatched: GIVORS Railway Centre 187, seaming 6, other missions including HAMBURG, SOMAIN, SAARBRUCKEN 66. 7 aircraft missing.

ITALY. 25th. 2 bridges destroyed in battle area and 7 more attacked with good concentrations in N.W. Italy.

AUSTRIA. 26th. Escorted Fortresses and Liberators dropped nearly 600 tons on 7 airfields, 6 being in VIENNA area.

POLAND. 25th. Airfield at MIELEC successfully attacked by 33 Lightnings and 23 Mustangs operating from Russian bases. Enemy casualties claimed 29, 5, 7 in combat and 9, 7, 2 on the ground.

4. GERMAN ACTIVITY

During 24 hours ending 6 a.m. 27th, 105 flying bombs plotted.

July 29, 1944

MEMORANDUM FOR THE FILES

Meeting in Mr. McCloy's office,
July 28, 1944 at 2:30 p.m.

Present

War Department - Assistant Secretary of War, John J.
McCloy
General Hildring
Colonel Chanler
and others

Treasury Department - Messrs. D.W. Bell, DuBois, Glasser

French - Messrs. Hoppenot, Alphand, Valencio, Beaulieu

State Department - Mr. Dunn and others

Foreign Economic Administration - Mr. Ball and others

I

Before the meeting, Mr. McCloy spoke privately with the Treasury men and showed us the notes of the conversation he had with Alphand. These notes indicated that McCloy spoke about the Secretary's trip and also that McCloy advised Alphand that in the long-term interests of France, they should not drive a hard bargain or haggle over small points. Furthermore, he indicated that this Government was so committed that it could not possibly recede from the position that the French pay cash for civilian supplies and that they use their gold and dollar assets for this purpose. He also advised the French not to press for the position that until agreement is reached, all dollar transactions should be "on the cuff".

Mr. McCloy said that Alphand became greatly agitated when he was told of the Secretary's trip. McCloy further said that Alphand took McCloy's admonition that the trip may "overturn the apple cart" very seriously.

II

The meeting began with the French obviously taking a friendly and cooperative attitude. Beginning with a statement

- 2 -

that the agreement they were reaching was subject to the approval of Algiers, Alphand passed from article to article of the prepared text. He raised several points of detail which were agreed upon immediately. He suggested a "minute" to take care of the question of payment for supplies taken by the U.S. Army which the French would need to replace from foreign sources. Our suggested changes of this "minute" were accepted readily, even though they restricted the French considerably. The French made several other points which, at our opposition, they deferred from pressing further.

M. Alphand did not raise the question of putting all transactions "on the cuff" until the Lend Lease agreement is reached. He was evidently following McCloy's advice not to do so.

We then raised the question of revising Article III in order to make clear that reciprocal Lend Lease aid given to us by the French was a proper offset against the military aid we give to the French Armed Forces. They treated our suggestion sympathetically, although they did not wish, obviously, to introduce the point in the agreement. We then suggested that we could accomplish our purpose by introducing a "minute" which would make it clear that reverse Lend Lease was not to be used by the French as a bargaining point in the Lend Lease negotiations, but was to be offset entirely against the military Lend Lease. This "minute" was satisfactory to the French and the meeting closed.

Mr. Ball of F.E.A. then raised the question of payment of the debt now outstanding for civilian supplies sent to North Africa. Alphand rather angrily pushed Ball aside with the statement that that question should not be involved in the French discussions and that they would send a letter to dispose of this matter independently of these negotiations.

III

On Saturday morning, Mr. McCloy informed me that Alphand had asked him to send a cable to Monnet advising Monnet that it would be in the French interest to close the agreements as quickly as possible.

H. Glasser

H.G.

JUL 28 1944

Dear Oscar:

Thanks for your letter of July 24, which adds to my satisfaction over the results at Bretton Woods.

I sincerely hope you are right about Congress.

I'll be glad to have any suggestions you can give me. We mustn't overlook any angles in seeing the thing through.

Mrs. Morgenthau joins me in cordial greetings to Mrs. Cox and the boys.

Sincerely,

(Signed) H. Morgenthau, Jr.
for H. L. H.

Mr. Oscar Cox,
Poland, Maine.

HEG:aja
7/27/44
WJH

FOREIGN ECONOMIC ADMINISTRATION
WASHINGTON 25, D. C.

July 24, 1944

Dear Secretary Morgenthau:

I can't resist telling you what a superb job you did at Bretton Woods.

The country and the world will benefit by your work for a long time to come. It is not likely that any more complicated subject will be taken up in the building of the peace. Nor is it likely that any other subject will be handled as well.

My strong hunch is that you are over the hump as far as the Congress is concerned. The road will be hard and full of obstacles. But, unless something very unexpected happens, I think you will come through Congress with flying colors.

You have in the press and radio people, who were at Bretton Woods, a strong nucleus for accurately informing the public. In the main, they will probably be the people covering the Fund and the Bank when they come up on the Hill. If you can keep in touch with some of them it would, I am sure, be quite helpful.

I have a few ideas about what might be done between now and the time the legislative proceedings start. If I may, I'll write them up and burden you with them.

Love and the boys join me ~~and~~ our thanks to you and Mrs Morgenthau for being so nice to us.

25

July 28, 1944.

Dear Mr. Cox:

Your letter of July 26 reached this office during the Secretary's absence from Washington. However, you may be sure that I shall bring your letter to Mr. Morgenthau's attention at the earliest possible opportunity.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Mr. Oscar Cox,
General Counsel,
Foreign Economic Administration,
Washington, D. C.

XP/dbs

FOREIGN ECONOMIC ADMINISTRATION
WASHINGTON 25, D. C.

Typed copy to 75
Hoyt at home 7/28/44
July 26, 1944

Dear Secretary Morgenthau:

In my last note I mentioned that I had a few ideas on what might be done accurately to inform the public about the Fund and the Bank before the formal hearings start in Congress. Here are some of these ideas:

1/ Articles in Foreign Affairs etc. There is very little available literature about the Fund and the Bank. John Williams piece in the January 1944 issue of Foreign Affairs was one of the few available pieces before the Bretton Woods conference. Most of the principal press people had read it. They asked questions based on it at the press conferences during the conference. Since then there has been an article by Louis Rostowsky in the July issue of Foreign Affairs. That should help. But, of course, there have been no commentaries on what was done at Bretton Woods in any of the journals.

I think consideration should be given to having people like Harry White, E M Bernstein, Lionel Robbins, Towers, Robertson, Smirnov, etc writing up the Fund or the Bank for magazines such as Foreign Affairs, The American Economic Review Journal, Atlantic Monthly, Harpers etc. It will take at least several months for this kind of material to seep through to the public and Congress. But it will be a useful foundation for the hearings.

2/ Readers Digest André Visson was trying to sell the Readers Digest the idea of a piece about the Fund and the Bank (This is off the record). He planned to write it himself. He is a good man. You might want to consider inviting him to lunch with some of your technicians and offering him any facts or assistance which he may need. Visson spends a good deal of time in Washington.

3/ N.Y. Times Magazine The usual policy of the Times is not to print stuff for the Sunday magazine section offered by its staff. The Sunday editor is supposed to ask for it. John Aiden

FOREIGN ECONOMIC ADMINISTRATION

WASHINGTON 25, D. C.

July 26, 1944

Secretary Morgenthau (2)
(Cont'd)

could, I am sure, do a fine piece. You might want to talk to Ferdie Kuhn about the best way to try to get Under asked to do such a piece. Or, if you wish I can ask Kuhn or one of the Times people.

- 4/ Sulzberger - Hazlett I think there is an outside chance of getting the Times to review its editorial policy on the Fund and the Bank. To my mind the best way to try this long shot is to have some one like Harry White and Lionel Robbins attend one of the Times editorial staff lunches. If you wish I think I can arrange this.
- 5/ Lippmann, Swing etc Key people like these in the field of public opinion can, I am sure, be very helpful if adequately informed. A get-together between them and the technicians might be arranged from time to time so that they can get the relevant facts.
- 6/ Report to Congress. A written formal report of what happened at Bretton Woods (with the documents attached) might be transmitted to the Congress by the President or yourself.
- 7/ Informal Hearings in Congress As soon as it is practicable, and before any formal hearings start it might be wise to tell informally the interested Committees such as Foreign Affairs, Foreign Relations, Ways and Means, Finance, Banking & Currency, Weights & Measures etc all they want to know about the Fund & Bank and what happened at Bretton Woods. Most of the members of these Committees will doubtless continue as members of Congress and their education should bear fruit when the formal hearings and debate start.

If I get any additional thoughts I will pass them on.
Dear Cox

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 28, 1944

TO Mrs. Klotz

FROM Mr. Shaeffer *C.P.S.*

At last the mystery concerning the opening of the Sixth War Loan is solved. You will note by the attached that Tom Lane of the War Finance agency gave out the information.

RECEIVED BY THE BUREAU OF WAR INFORMATION
OFFICE OF WAR INFORMATION
WASHINGTON, D. C.

MAGAZINE WAR GUIDE

NOVEMBER 1944

A monthly summary of war information gathered by the OWI Magazine Bureau from the various Government departments and agencies, the Guide is offered as an aid to editors and writers in planning future issues.

Prepared by the BOOK AND MAGAZINE BUREAU
OFFICE OF WAR INFORMATION
Washington, D. C.



8-3612-C

Oscar Schisgall
Book and Magazine Bureau
Social Security Building
Washington 25, D.C.

July 25, 1944

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MAGAZINE WAR GUIDE FOR NOVEMBER, 1944

1. SIXTH WAR LOAN: The Treasury Department says it is now considering the recommendations of the War Finance Division that the Sixth War Loan Drive be held from November 11 to December 7. While the dates will be decided in the near future, it is probable that the Drive will come during November.

Information may be obtained from Thomas Lane, Director of Radio, Press and Advertising, War Finance Division, Treasury Department, Room 629, Washington Bldg., Washington 25, D.C.

2. ECONOMIC STABILIZATION: The Office of War Information reports the completion of a new program book which discusses the special role of the farmers in combatting inflation. Prepared in collaboration with the Office of Economic Stabilization, the War Food Administration and other Government agencies, this booklet presents specific plans whereby the farmer may help to secure his future. Another program book, soon to be issued in connection with the economic stabilization program, is called "Planned Spending and Saving." It contains specific suggestions on how people can use their wartime income to help hold prices down, with particular emphasis on budgeting and economizing.

Copies of these booklets may be obtained from the Office of Program Coordination, OWI, Room 3444, Social Security Bldg., Washington 25, D.C.

3. FOOD OUTLOOK FOR 1945: The Agricultural Outlook Conference, scheduled to be held at the U. S. Department of Agriculture in Washington in November, will be productive of much information on most important aspects of the 1945 food picture--food prospects, prices, equipment and fertilizer supplies, farm labor, etc.

For details on the Conference, address Peter H. DeVries, Director of Economic Information, Bureau of Agricultural Economics, Department of Agriculture, Washington 25, D.C.

4. ARMY AIR FORCES PERSONNEL: The Army Air Forces calls attention to the work being done at its Redistribution Station in Atlantic City, N.J. Here, says the AAF, returning fliers are given weeks of rest and recuperation before being assigned to new duties. This is the eastern hub of the AAF rotation system. The Atlantic City base, with its converted hotels, hospitals, recreation centers, play facilities, etc., offers fertile ground for magazine stories and articles. Magazines may now assign writers to visit Atlantic City, by appointment. Material obtained there will have to be cleared through the Review Branch, War Department Bureau of Public Relations. The Atlantic City station is one of three such installations. Others are at Miami Beach, Fla., and Santa Monica, Calif. These three stations are under the jurisdiction of the newly-created AAF Personnel Distribution Command, which has its headquarters at Atlantic City.

For necessary arrangements, and to obtain further material, consult the Bureau of Public Relations, War Department, The Pentagon, Washington 25, D.C.

5. BACK TO SCHOOL: The U.S. Office of Education and the Children's Bureau, with the endorsement of the War Manpower Commission, urge editors to help stem the decline in high school enrollments. According to the Office of Education, high school enrollments have dropped more than 300,000 every school year since the beginning of the war, and the rate of decline is becoming even greater. Jobs draw the greatest number of children away from school. This decline, says the Office of Education, is a serious threat to our nation's educational attainments and to the individual's future training capacities.

For information and statistics, write to William D. Boutwell, Director of Information, U.S. Office of Education, Room 2015, Tempo M, Washington 25, D.C.

6. OPA: The Office of Price Administration says it is concerned about a survey which indicates that 57% of women purchasers make little effort to check ceiling prices. In response to such information OPA, in cooperation with OWI and food trade associations, is laying plans for an intense fall campaign to unite merchants and consumers in a systematic attack on this question. The theme will be a united merchant-consumer attack on a common problem. OPA urges magazines to re-emphasize the duty of buyers and sellers to work together. Since 40% of the average family's income is spent for food, this campaign will be focused on food purchases.

Statistics resulting from the survey may be had by writing to Guy Pearce Jones, Chief, Magazine Section, Department of Information, OPA, 3003 Federal Office Bldg. #1, Washington 25, D.C.

7. SERVICEWOMEN IN COMMUNITIES: The Office of Community War Services (FSA), the United Service Organizations, and the Joint Army and Navy Committee on Welfare and Recreation report that while some communities are doing a good job of providing recreation facilities and programs for servicewomen, many others make little or no provision for extending hospitality to these women. Based on their information from the field, the three agencies have prepared a statement, "The Servicewoman and Her Leisure Time in the Community," which points out the needs of women in the Armed Forces in four major situations--when in training, when assigned to duty, when in transit, and when on leave; and which suggests how communities, organizations and individuals can help make their leisure hours more enjoyable.

For copies of "The Servicewoman and Her Leisure Time in the Community," and for further information, write to Miss Florence Taaffe, Director of Information, Joint Army and Navy Committee on Welfare and Recreation, Room 1E575, The Pentagon, Washington 25, D.C.

8. AMERICAN EDUCATION WEEK: November 5 to 11, says the Treasury, will mark the annual "Report to the Nation" by America's schools. Many of the ceremonies will be related to the opening of the Sixth War Loan Drive.

Information may be obtained from Lyle Ashby, National Education Association, 1201 16th St., N.W., Washington 6, D.C.; or from Daniel Melcher, War Finance Division, Treasury Department, Room 647, Washington Bldg., Washington 25, D.C.

9. EMPLOYMENT OF WOMEN IN ARMY SUPPLY DEPOTS: The Women's Bureau, U.S. Department of Labor, says it will issue a report in the early autumn detailing field studies of 12 Army Supply depots, employing 35,000 workers, about 11,000 of whom are women. These depots receive, store, and issue for shipment, Ordnance, Quartermaster, Medical, Engineering, Signal Corps, and Chemical Division supplies. Women are found working in every branch of depot operations. In most of the depots where reports are obtained absenteeism and turnover among women are no higher than among men, although many women are married, have household and child-care responsibilities and, in some cases, have to spend two to four hours a day traveling to and from work.

For further information, consult Mary V. Robinson, Chief, Information Division, Women's Bureau, Room 1316, Department of Labor, Washington 25, D.C.

10. GETTING FARM FACTS: The Department of Agriculture, through the Crop and Livestock Reporting Service, secures detailed information on agricultural output. The Service is composed of such groups as 400,000 farmers who report periodically regarding their crop acreage or livestock numbers; 85,000 country merchants and farm products dealers who advise on prices received and paid by farmers; and 90,000 sundry establishments--country mills, elevators, hatcheries, etc., that report on their own operations.

For information on the activities and reports of the Service, write to Peter H. DeVries, Director of Economic Information, Bureau of Agricultural Economics, Department of Agriculture, Washington 25, D.C.

11. U.S. CADET NURSE CORPS: The U.S. Public Health Service announces that 60,000 new student nurses must be recruited by June 30, 1945, if adequate nursing service is to be maintained. Enrollment for spring classes is starting now. The Corps is the largest and youngest of all women's uniformed organizations, with an enrollment of over 100,000 first, second and third-year students.

For information apply to
Public Relations Section,
Division of Nurse Education,
U.S. Public Health Service,
Washington 25, D.C.

12. SCHOOL LUNCH APPROPRIATION: Since inadequate nutrition is still one of the nation's chief wartime problems, says the War Food Administration, magazines can help the WFA by informing the public of the advances made in the school lunch program for children. An appropriation of \$50,000,000 for the current school year will do much, WFA says, to assure a program of increased mental alertness, better physical development, improved school attendance, and nutrition education. The appropriation provides that for every dollar spent by the Federal government, a matching dollar be spent within the state in behalf of the program. These matching funds may include the value of local foodstuffs, labor, and individual donations. School lunch projects will receive locally abundant foods, as they did last year, to supplement foods purchased from regular trade channels.

For more detailed information,
write Miss Anne F. Carter, Mar-
keting Reports Division, Office
of Distribution, War Foods Ad-
ministration, Washington 25, D.C.

13. LAWS BENEFITING VETERANS: The Veterans Administration, reporting on a number of laws enacted by Congress for the benefit of veterans and their dependents, suggests that magazines stress the main features of the G.I. Bill of Rights, which provides for the extension of schooling, and loans for houses, farms, and business purposes, up to \$2,000 in guaranteed and unemployment benefits. These benefits are available to veterans honorably discharged, who have served ninety days or more in the present war.

Further information can be ob-
tained from Edward McE. Lewis,
Director of Press Relations,
Room 160, Veterans Administra-
tion Bldg., Washington 25, D.C.

14. CHRISTMAS OVERSEAS: The American Red Cross re-
ports that it is now planning its Christmas programs
for servicemen overseas. Christmas boxes and deco-
rations are being prepared for holiday activities
in Red Cross clubs and other installations abroad.
Hospitals in the United States will be included in
holiday plans and programs.

For detailed information, write
Harold G. Anthony, Director of
Publicity, American Red Cross,
National Headquarters,
Washington 6, D.C.

15. ARMY AND NAVY SLANG: The November Magazine War
Guide Supplement includes a glossary of Army and
Navy slang, as well as a discussion of the origin of
many Naval expressions. A reprint is available to
editors and writers, upon request, from the Book and
Magazine Bureau, New York Division, 250 W. 57th St.,
New York 19, N.Y.

16. PUBLIC HEALTH SERVICE TUBERCULOSIS CONTROL PROGRAM: The U.S. Public Health Service, of Federal Security Agency, announces the creation of a Tuberculosis Control Division in the Bureau of State Services of PHS to further nation-wide control of tuberculosis. The Division was created under the provisions of the Public Health Service Act, approved by Congress July 3, 1944. The Public Health Service points out that the far-reaching social and economic effects of tuberculosis require the active participation of all public and private agencies in coordinated community programs for the protection of public health.

For information concerning the activities of the new Division, write Division of Public Health Methods, National Institute of Health, Bethesda, Md.

(This being a new program, the U.S. Public Health Service furnishes the following information:

The Act, which authorizes an appropriation of \$10,000,000 in the fiscal year 1945 for the fight against tuberculosis, charges PHS with responsibility for developing more effective measures for the prevention, treatment and control of the disease. It provides for the training of personnel to carry on health work in states and local communities. It empowers the Surgeon General to assist the states, counties and health districts, through grants and other measures, in establishing and maintaining adequate tuberculosis control measures.

The Public Health Service Act gives impetus to tuberculosis control activities which have been operating in PHS on a small scale since 1942. The current annual budget for the tuberculosis program is \$250,000.

Perfection of the small-film x-ray method of detecting the disease is the basis of the PHS tuberculosis

control program. The Service has operated eight mobile x-ray units in 11 states, the District of Columbia, Mexico and Jamaica--examining war workers and their families. Tuberculosis control officers also have operated state and city owned units for state and health departments requesting their services. As a result of these surveys, nearly three-quarters of a million civilians have been examined, with 13 in every 1,000 persons x-rayed showing evidence of significant pulmonary tuberculosis. Army and Navy rejections due to tuberculosis total approximately 130,000. Nearly two-thirds of the tuberculosis victims discovered were in the early, remediable stage of the disease.

Statistics show that nearly 60,000 persons die from tuberculosis in the United States every year. Nearly one-half of all deaths from tuberculosis occur among men and women, 20 to 45 years old. Among persons between the ages of 15 and 35, tuberculosis is the first cause of death.

At present, 26 of the 48 states do not have full-time medical officers to conduct an effective tuberculosis control program. Such a program requires mass case finding, follow up, and includes sanatorium care and rehabilitation. One of the tuberculosis control problems resulting from the war is lack of sanatorium care for war workers, not residents of the communities in which they are working, who have broken down with tuberculosis. These persons cannot receive sanatorium care because they are not eligible under local residency laws.

Under the Public Health Service Act, further research into a possible specific cure for tuberculosis has been made possible. The disease now can be prevented; can be arrested. So far, however, no drug or vaccine is known to cure tuberculosis.)

17. DATE REMINDERS:

- Oct. 19, 1933--Germany gave formal notification of withdrawal from the League of Nations.
 21, 1833--Birth of Alfred B. Nobel, donor of Nobel Peace Prize.
 28, 1886--Statue of Liberty, gift of France, unveiled.
 28, 1918--Czechoslovakia declared its independence.
 29, 1918--Yugoslavia proclaimed its independence.
 29, 1923--Turkish Republic proclaimed.
 29, 1940--First drawing of numbers for peacetime selective service in history of the United States.
 31, 1887--Birth of Chiang Kai-shek.
 Nov. 4, 1862--First machine gun patented by Richard Jordan Gatling.
 7, 1917--Founding of Soviet Union.
 7, 1942--American and British forces land in French North Africa.
 8, 1923--Nazi Putsch.
 11, 1918--Signing of the Armistice.
 11, 1918--Re-establishment of an independent Poland.
 11, 1921--Washington Disarmament Conference convened.
 12, 1866--Birth of Dr. Sun Yat-sen, founder of Chinese Republic.
 13, 1809--Birth of John A. Dahlgren, Rear-Admiral, U.S. Navy, whose inventions revolutionized naval ordnance.
 15, 1935--Establishment of the Commonwealth Government of the Philippines.
 15, 1941--Saburo Kurosu, Japanese Special Envoy, arrived in Washington.
 16, 1933--Diplomatic relations between the United States and the U.S.S.R. established.
 18, 1905--Haakon VII elected King of Norway.

- Nov. 22, 1890--Birth of General Charles de Gaulle.
 23, 1878--Birth of Admiral Ernest J. King.
 23, 1890--Queen Wilhelmina ascended the Netherlands throne. (Barely 11 years old, she was placed under a regency until she became 18.)
 30, 1874--Birth of Winston Churchill.

18. REFERENCES: The following are official newspaper releases on topics likely to be of public interest in November. Editors and professional writers should request them of Miss Nettie Sigal, New York Division, Book and Magazine Bureau, OWI, 250 W. 57th St., New York 19, N.Y. Phone: Circle 6-4400, Ext. 261. These lists cover the period June 1-30, 1944.

OFFICE OF WAR INFORMATION

Food and the Farm

WPB-LD-700 FOOD MANUAL RELEASED. "Manual for Wartime Food Storage, Preparation and Serving Facilities" released by WPB Conservation Division.

Women

PM-4600 NEW RULES FOR MOTHERS IN WMC. New policy concerning employment of working mothers.
 PM-4608 PRIORITY ON DOMESTIC HELP SUGGESTED. Priority on household help for women war workers suggested by WMC's Women's Advisory Committee.
 OWI-3347 STUDENT NURSE QUOTA EXCEEDED. U.S. Cadet Nurse Corps has gone over the top in its first-year recruitment quota.

Home Front

WPB-5815 OCR CONSUMER SURVEY RELEASED. Results of OCR's third nation-wide survey of consumer requirements.

- PM-4590 BRITISH HONDURAS WORKERS RECRUITED. More than 1000 workers from British Honduras brought to United States to meet labor shortage in logging and lumbering.
- OWI-3246 FATS COLLECTION NEED STRESSED.
- WPB-5910 SERVICE INDUSTRIES MAKE WAR WORK POSSIBLE. Advance made possible by efforts of men and women whose work in stores, laundries, etc., enable war workers to do their job.
- OWI-3314 ECONOMIC STABILIZATION FACTS REPORTED.
- ODT-600 PRIORITIES SET FOR RAIL TRANSPORTATION OF WOUNDED. Transportation preference for disabled personnel provided to assist nation's railroads in plans for handling military casualties.
- OWI-3311 RAILROADS' CARRYING CAPACITY STRAINED.
- OWI-3342 NATION'S HEALTH REPORTED.

General Interest

- OWI-3305 REHABILITATION CENTERS FOR VETERANS TO BE SET UP. Colleges and universities to provide job counseling and to arrange for vocational training and rehabilitation of disabled veterans.
- OWI-3326 G.I. BILL OF RIGHTS IMPLEMENTED.
- OWI-3340 HUNGRY ITALIANS GET AMG FOOD.

Special Reports

Comprehensive studies of specific subjects, based on authoritative information from Government agencies.

- NB-2554 Discharged veterans of the present war and what is being done to place them in civilian jobs.
- NB-2611 Cold storage for food--its anticipated requirements and outlook for the future.

Army

- June 1 (2), 2 (3), 5, 7, 12 (2), 15, 16, 17, 21, 22, 23 (2), 24, 27 (2), 28, 30. AWARD CITATIONS.*

- June 7 U. S. TROOPS ON THE MARCH. Anecdotes of our ground forces.
- JUNE 11 ARMY ADDENDA.
- June 1 3,657,000 U.S. TROOPS DEPLOYED THROUGHOUT WORLD.
- June 2 COL. PHILIP G. COCHRANE REPORTS ON AIR COMMANDO OPERATIONS.
- June 9 SULFADIAZINE REDUCES MORTALITY RATE OF CEREBROSPINAL MENINGITIS TO 3%.
- June 9 MEDICAL MEN NOT "PILL ROLLERS" ON BOUGAINVILLE, INFANTRY RIFLEMEN ASSERT.
- June 12 "ISOLATING THE BATTLEFIELD" MAJOR TASK OF TACTICAL AIR FORCE.
- June 13 INVASION "GLORY BOYS" STRIKE TERROR AT ENEMY. (About the glider pilots.)
- June 15 MILITARY MEDICAL HISTORY MADE BY FLIGHT SURGEONS IN BURMA.
- June 16 NEW TRIUMPHS REPORTED IN USE OF SULFA DRUGS.
- June 17 20,000 ENLISTED MEN TRANSFER TO INFANTRY.
- June 18 ARMY PROVIDES MEDICAL KITS FOR JAP-HELD PRISONERS.
- June 20 AERIAL "OPERATION STRANGLE" PREFACED FALL OF ROME WITH WRECKING OF NAZI SUPPLY LINES.
- June 24 PUBLIC NEEDS BETTER UNDERSTANDING OF MENTAL ILLNESS, ARMY PSYCHIATRIST SAYS.
- June 26 CONSCIENTIOUS OBJECTORS CONTRACT DISEASE TO HELP ARMY FIGHT INFECTIONS.
- June 26 BACKGROUND ON THE DEVELOPMENT OF THE B-29.
- June 28 REHABILITATION CENTER FOR BLIND TO BE OPENED.
- June 29 PHOTO PILOT OUTWITS NAZIS IN "FOX AND HOUND" CHASE.
- June 30 AAF SURGEON TELLS HOW AIR EVACUATION AIDS WOUNDED IN BURMA.

Navy

- June 1 (3), 5, 11, 13, 16, 17, 20 (2), 21, 22 (2), 23 (2), 26 (2), 27. AWARD CITATIONS.*
- June 2 SKIP-BOMBING AND ROCKETS BLAST JAP SHIPS.
- June 6 PONTOON GEAR AIDS IN INVASION.
- June 12 BUREAU OF MEDICINE AND SURGERY REPORTS ON PROGRESS OF PLASMA-FRACTIONATION PROGRAM.

June 17 NAVY WOMEN STAFF POST OFFICE.
June 21 SEABEE BATTALION RETURNS AFTER 20 MONTHS
OVERSEAS.
June 22 THE WAR RECORD OF TASK FORCE 58.
June 22 MARINE TELLS OF HEROIC BATTLE OF RANGERS AT
POINT DU HOE.
June 28 MARINE OFFICER TELLS OF FIRST 24 HOURS ON
SAIPAN.
June 28 SAIPAN FRONT LINE THE FIRST NIGHT.

* Releases listing awards give details of individual acts of heroism and of exceptional contributions to non-combat operations. Study of these may suggest articles on phases of the war not yet given magazine treatment, and should furnish fiction writers with authentic background.

MEMORANDUM FOR THE SECRETARY.

July 28, 1944.

Mail Report

With the close of the United Nations Monetary Conference, there was a quick increase in mail on the subject -- and a right-about in attitude, as well. For the first time, favorable comment far outweighed the unfavorable; and numbers of questions about the work of the Conference, or requests for copies of the final report, reflected a wholesome interest in its achievements.

Tax matters hardly cast a shadow in the week's mail. There were but 4 demands for tax refunds, 4 criticisms of car use stamps, and odds and ends of questions or protests about tax obligations.

Bond mail, too, was lighter than it has been for some time. A half dozen replies to the redemption slip offered only the usual reasons for cashing bonds: illness, unemployment, and failure to receive tax refunds. Bonds submitted through this office for redemption dropped to 46, following a total of 82 last week. Most of the 20-odd complaints about the handling of bonds related to delays in re-issuing them. Only 1 or 2 complaints a week still concern failure to receive bonds purchased through the early payroll allotment plan of the War Department, but there are now occasional ones from military personnel about delays under the present payroll deduction plan.

Other mail included many out-of-date checks forwarded for re-writing, a few inquiries about currency or coins, several Foreign Fund problems, and a half dozen gifts. Except for a check for \$1,000, transmitted through the Navy Department, donations were small, ranging from \$15 to four \$25 War Bonds.

S. E. Forbush
by Kay Pearson

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G. E. Forbush
by Kay Pearson

General Comments

David Lee Smallenbarger, Troy, Ohio. Dear Sir. You have made United States a grand Secretary of Treasasure. And I like you very well. I would like to have your autograpy and picture with your autograpy on the picture. If this isn't asking to much. Im 9 years old. Here is my adress - David Lee Smallenbarger, 426 West Market Street, Troy, Ohio. P.S. Thank you very very much.

D. E. Scott, Chicago, Illinois. If copies of your splendid address delivered over C.B.S. Saturday evening, July 22, are available, please send a copy to me.

Elizabeth Creaghead, Covington, Kentucky. May I express my appreciation of your efforts to bring to a successful conclusion the Bretton Woods Conference? I believe this to be the most important effort, on the part of the Administration, yet announced, to place the United States in its proper place of prestige and leadership in world reconstruction and the formation of a stable peace. This is the first step; the second is to get it adopted by Congress. * * * I think an intensive selling campaign will have to be put on by the Administration to sell our participation in World Bank and Stabilization Fund to the people of the U.S.A. In my opinion, it should be very carefully laid out by the very best advertising agency brains in the country in order that the ideas presented are simplified so that a 12-year old child will understand them. * * * A large percentage of Americans feel that Congress, as a body, is a stupid old fuddlement when it comes to making statesmanlike decisions. Therefore, the people will simply have to be made to understand the problem, what it means to the U.S.A., so they will prod Congress into

- 2 -

action. Otherwise, Senator Taft, and his ilk, will be in the saddle and what chance will we have for a peace treaty ratification if the monetary plan is vetoed? The mind of the average American citizen hasn't ossified, sell him the idea and he'll act!

- 3 -

Unfavorable Comments on Bonds

Anonymous - Paterson, New Jersey. My husband has a few friends who all work together for the Van Vlanderin Machine Company on Straight Street in this city. They all get about \$100 a week, but never any War Bonds, as the company refuses to bother with collections from pay for bonds. The boss says he would have to hire extra bookkeepers to keep records for bonds. Now, these men cash their checks on payday in a saloon near the plant, and spend about \$30 or more before they go home, and I'm sure they all would buy bonds if it were taken from their pay before they got their money. Van Vlanderin has Government work. Can you tell me why they are not compelled to show at least a 10% collection for bonds? I'd get a beating if I were caught writing this.

Homer B. Miller, San Antonio, Texas. Your bond poster which shows Eisenhower holding binoculars has objectives turned toward him, and not the eye pieces. Wonder how much he can see with glasses turned this way.

- 4 -

Unfavorable Comments on Taxation

A Citizen of the U.S.A. - Postmarked New York City. You could do the citizens of Queens County, New York City, a great favor by hurrying along the income tax rebate checks for 1943. The office in Brooklyn at 210 Livingston Street no doubt is doing as good as it can, but that is not good enough. We, the poor, need that money now. Please do something.

Albert Ackerman, Ackerman & Ackerman, Accountants, Mount Vernon, New York. I wonder if you realize that many public accountants are suffering from nervous indigestion as the result of your gigantic tax bureaucratic system. Whether you realize it or not, conditions are very aggravating. Not only must business assume the responsibility for preparing numerous reports, but they must act as custodian for funds and be criminally liable for accurate computation and payments thereof. We accountants are appreciative of the fact that you have made American business men tax conscious, but when revenue men canvass from door to door demanding that storekeepers show copies of various Government reports, insist that they correct and reconcile payroll reports like in a schoolroom, it is more than anyone can endure.

C. F. Reith, The Juvenile Shoe Corporation of America, St. Louis, Missouri. We understand that interest at the rate of six percent is paid when refund is made on overpayment of income tax. Don't you think that this might be an incentive for unethical people to overpay their income taxes by perhaps several thousand dollars? Inasmuch as War Bonds yield interest of less than three percent, it would seem to the writer that the interest on overpayment of income tax should not be any greater than this.

* * *

- 5 -

Senator Raymond E. Willis, (Indiana), encloses the following letter he has received from Joseph B. Carney, of Gary, Indiana: "I have a very definite protest against our Government's method of collecting the \$5.00 tax stamp for automobiles. I have had my stamp for over a week, but nevertheless was stopped five times in two days in a long line (besides the delay in getting to and from work) while the 'gestapo' checked all motorists going to work. We do not object to the stamp tax of \$5.00 nearly as much as we do your method of collecting it. It is not American to have men in civilian clothes approach you and slap a fine of \$5.00 besides the \$5.00 for the stamp because it was not displayed on the windshield. And not only that, if the stamp is not purchased within twenty-four hours, the fine becomes \$25 and/or imprisonment. We then become jail-birds because the Government has not adopted the right method to collect their tax. * * *

Nathan Willner, New York City. May I enlist your aid in determining what the cause for a delay in payment of a claim now pending over five years with the Treasury Department? The thing has become an insult to anyone's intelligence, and obviously there is some Japanese design attached to the administration of it in sideswiping the issue involved. * * * A Mr. J. P. Wenchel, Chief Counsel, started a lengthy correspondence of a few years' standing, telling me of various dates when the settlement would come through - the latest one is the honey which says thirty days after June 15th (GC:E:FHM - A - 339129). This has continued and seems to be on its way to ad infinitum and results in ad nausea, but not in any settlement, of course. * * * On Friday, July 21, at about 2 p.m., I placed a person to person call for Mr. Wenchel. It was refused and

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when I insisted, it was transferred to a Mr. Carter Alexander, who was presumably in another office. I now find out that he too is right in the Chief Counsel's Office! He claimed NO KNOWLEDGE of it either. * * * Would you please be good enough to direct some attention there? Believe me to be appreciative of your efforts in this regard.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE JUL 28 1944

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

FOR YOUR INFORMATION

The American statement on Argentina just released by the State Department contains a powerful indictment of Argentina. While designed to justify our foreign policy vis-a-vis Argentina, it must cause the critical reader to wonder why we have allowed such a state of affairs to develop.

The statement begins by charging that Argentina, at this critical moment, has taken two steps "which have resulted in tremendous injury to the Allied cause, to wit:

"(1) It has deliberately violated the pledge taken jointly with its sister republics to cooperate in support of the war against the Axis powers, and in thus deserting the Allied cause has struck a powerful blow at the whole system of hemispheric cooperation.

"(2) It has openly and notoriously been giving affirmative assistance to the declared enemies of the United Nations."

The statement goes on to support these charges by detailed and irrefutable evidence with which this Department is familiar and which it has often cited to the State Department in support of its recommendations concerning economic sanctions.

Of special interest is the statement that "extremist, pro-Axis elements were responsible for the elimination of General Ramirez and his principal collaborators from the Government because of their decision to break relations" with the Axis, and that the Farrell Government has not only failed to implement the break with the Axis but has taken positive measures to assist Axis elements in Argentina.

Unfortunately, the powerful condemnation is employed for the very limited objective of justifying our continued non-recognition of the Farrell regime. Insofar as economic sanctions are concerned, the State Department has informally stated that this question has not yet been reached in deliberations here.

Joseph J. O'Connell

Regraded Unclassified

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

July 28, 1944

6 p.m.

AMREP.

ALGIERS.

2309

The following WEB cable 39 is for Saxon.

Is Gruber accompanying refugees? Advise
immediately. If not make arrangements at once
for her return.

Advise Ackermann.

STETTINIUS
(ACTING)
(GEW)

WEB:MMV:OMH
7/27/44

FBM-597

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

Quito

Dated July 28, 1944

Rec'd 1:35 p.m.

Secretary of State,

Washington.

762, July 28, noon

Ecuadoran Government has accepted in principle proposal regarding refugee children (Embassy's telegram 471 of May 13, 5 p.m.). Further details concerning practical application of plan will be necessary before Embassy can obtain indication of number of children Ecuador is prepared to accept. Copy of aide-memoire received being sent by air mail pouch.

SOOTEN

RR

CABLE TO WINANT, LONDON, FROM PEHLE

Please thank Emerson for kind invitation
to WRB to send observer to session of Plenary Committee
of IGC, and inform him that because of impossibility of
sending Washington observer we are relying on Embassy
to keep us informed.

11:50 am.

July 28, 1944

SECRET

FROM: London
DATE: July 28, 1944
RECD: 10 a.m., August 2

90

Secstate
Washington

A-926, July 28, 1944

Mr. Linton of the London office of the Jewish Agency for Palestine requests that the following message be transmitted to Dr. Nahum Goldmann, Jewish Agency, 1720 16th Street, N. W., Washington, D. C.:

"For your confidential information and British already offered exchange fourth Palestine group probably over 200 STOP though no reply yet from Germans reasons believe reaction favourable STOP Swiss already asked try trace maximum possible from original exchange lists consisting mainly wives children Palestinian and Palestinian residents STOP view danger further deportations from Vittel Colonial Office at our request asking Swiss inform Germans that members Vittel group with Palestine permits including those deported Drandy elsewhere will also come into consideration and request latter be traced STOP suggest you discuss with State Department possibility obtaining German civilians from USA and South American States cover these with South American passports without Palestine permits and balance if any with permits ~~the~~ as Dutch received no reply to offer exchange Jews in Westerberg with permits now in Helsenbergen and Thiersteinstadt made at our request months ago we recently suggested they hand over their Germans to British who should arrange exchange for them STOP Dutch now agreed and approaching British accordingly ~~there~~ we discussed with Belgians similar action regarding Belgian veteran lists which now under consideration. Linton."

WINANT

Mr. Bucknell
Mr. Allison
Mr. Browne

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, London
DATED: July 28, 1944
NUMBER: 8919

CONFIDENTIAL

FROM WAR REFUGEE BOARD

Please deliver the following message to Joseph Linton.
77 Great Russell Street, London, from A. Leon Kubowitzki,
World Jewish Congress, New York:

QUOTE Concerning exchange material for holders of
Palestine certificates, am informed that 600 Germans
from Palestine are still in Australia to which country
they were previously removed, and that a great number of
German nationals formerly interned in the Netherlands
East Indies are in British Colombo. Kindly check on
this information and inform us through American Embassy
and War Refugee Board of present state of exchange
negotiations. UNQUOTE

HULL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, London
DATED: July 26, 1944
NUMBER: 5921

SECRET

FROM WAR REFUGEE BOARD

Please deliver the following message to Sir Herbert
Emerson of the Inter-Governmental Committee from Boerwald, ^{NY}
American Jewish Joint Distribution Committee:

"Deeply grateful for generous action and for holding
out prospects for future. We cabled necessary instructions
to Saly Mayer according your authorization. Also notified
our Lisbon office and asked that separate accounts and
documentation be kept for these transactions. Naturally
you can rest assured that to the extent of our ability
in future we will allot funds for these operations. Grate-
ful your recognition our commitments other quarters this
time. We will keep you informed of progress made."

HULL

ORIGINAL TEXT OF TELEGRAM SENT

93

FROM: Secretary of State, Washington
TO: American Embassy, London
DATED: July 28, 1944
NUMBER: 5948

CONFIDENTIAL

FROM THE DEPARTMENT AND THE WAR REFUGEE BOARD.

The substance of a message from Amlegation Bern is as follows:

QUOTE A note from the Foreign Office, dated yesterday, states that according to a telegram from the Swiss Legation at Budapest, authorization has been given by the Government of Hungary for the departure of all Jews from Hungary who hold entry permits for another country, including Palestine.

This same message states that transit through occupied territories will be permitted by the German Government. As soon as possible the Swiss Legation, in collaboration with the Palestinian Bureau, Budapest, will take necessary measures for evacuation. It is probable that Hungarian police passports will constitute travel documents. UNQUOTE

This Government is authorizing its consular officers in neutral countries to issue immigration visas to every person who has been in enemy-controlled areas since December 8, 1941, to whom an American immigration visa was issued or for whom such visa was authorized on or after July 1, 1941, the date when present regulation and security-checking system went into effect, provided such person is not affirmatively found to have become disqualified for a visa or to have been the subject of a subsequent adverse report. The issuance of such visas is, in the discretion of consular officers, not subject to the interdepartmental review procedure. Visas are to be issued, of course, only when such persons arrive in neutral countries. This Government is requesting the Swiss Government to advise the German, Hungarian, Rumanian, and Bulgarian Governments as well as such authorities as there may be in Slovakia of the substance of the foregoing and to request the release to neutral countries of persons holding American visas or for whom American visas were authorized on or after July 1, 1941. The Governments of Switzerland, Spain, Sweden, Portugal, and Turkey are being requested to permit the entry of such persons, upon the assurance that they will be adequately maintained and that arrangements will be made for the evacuation of all such persons admitted into their territories who may be found not (repeat not) to be qualified for the issuance of such visas. Such governments are also being requested to advise Germany and Germany's allies of their willingness to receive such persons.

The Turkish Government is also being requested to advise enemy governments of its willingness either to issue transit visas to all persons in enemy-controlled areas holding Palestine certificates, or to admit such persons into Turkey in transit to Palestine without the

-2- #5948 of July 28, 1944, To London.

out the formal issuance of visas.

In further response to message from Amlegation Bern, the substance of which is quoted above, this Government is prepared to advise the Hungarian and neutral governments that all Jews arriving in neutral countries from Hungary will be afforded havens in United Nations territory just as promptly as military considerations permit, neutral governments to be given adequate assurances as to the maintenance of such persons in the meantime and to be requested to advise the Hungarian Government of their willingness to receive such persons. Please endeavor to ascertain from the Foreign Office whether the Government of the United Kingdom will join this Government in this attempt to save lives. American missions in neutral countries are being instructed to take appropriate action along these lines in collaboration with their British colleagues if possible, alone if necessary. Since time is of the essence, British missions should be advised of Foreign Office views promptly.

Please keep Department and Board advised.

Please advise Sir Herbert Emberson of the Intergovernmental Committee of the foregoing and endeavor to ascertain from him some indication as to the extent to which IGC funds may be available for the maintenance of such refugees from Hungary as may arrive in neutral countries following such approaches. The War Refugee Board would appreciate as early a response to this inquiry as possible.

Under all of the circumstances it might prove tragic if the fullest advantage of the present opportunity were not (repeat not) taken. Consequently, you are requested urgently to propose to the Foreign Office the necessity of immediately making available to Jews in Hungary Palestine certificates in substantial additional numbers. In this connection, the possibility should not be overlooked that once the holders of such additional certificates arrive in Turkey or Spain, they may be routed to havens other than Palestine if circumstances should be deemed to preclude their entry into Palestine. Please advise the Department and Board of such views as the Foreign Office might express.

STETTINIUS
Acting

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATED: July 28, 1944
NUMBER: 6005

CONFIDENTIAL

The following is for WRB's information.

With reference to Department's cable of July 24, No. 5791, Embassy has been supplied with text of Hoathcote-Smith's telegram by IGC.

The suggestion that the intervention of the Vatican be requested by British and American Governments in approaching the German authorities with the request that non-Italian civilian refugees held in North Italy be released has been made by IGC Director. The Director feels that assurance should be given Vatican that British and American Governments would make arrangements for maintenance and care and transportation of refugees involved, in this connection, in the event the efforts of the Vatican are successful.

WINANT

DCR:GFW

7-29-44

London, July 28, 1944

SECRET

No. 17147

Subject: Desire of International Red Cross for
quick response to offer of Admiral Horthy
to alleviate situation of Jews in Hungary.

The Honorable
The Secretary of State
Washington

Dear Sir:

I have the honor to refer to the Embassy's telegram No. 5956, July 27, 6 p.m. transmitting a summary of a communication received from the Director of the Intergovernmental Committee on Refugees regarding a discussion which he had had with a representative of the International Red Cross Delegation in London respecting the need for a quick and positive response to the offer alleged to have been made by Admiral Horthy, Regent of Hungary, to alleviate the situation of the Jews in that country. Reference is also made in this connection to the Embassy's telegram No. 5811, July 22, 6 p.m., and to despatch no. 17024 of July 24, on the same subject.

1/ There is transmitted herewith a copy of the full text of the Director's letter of July 27 to the Embassy in this connection.

Respectfully yours,
For the Ambassador:

Howard Bucknell, Jr.
Minister-Counselor

File 848
Enclosure:

1/ Copy of letter.

SHB/ecw

COPY OF LETTER DATED JULY 27, 1944 TO THE EMBASSY
FROM SIR HERBERT EMERSON, DIRECTOR OF THE INTERGOVERNMENTAL
COMMITTEE ON REFUGEES.

INTERGOVERNMENTAL COMMITTEE ON
REFUGEES

11d, Regent Street
London, S.W.1.
27th July, 1944.

"In continuation of my letter of the 21st July, with which I enclosed the Memorandum of a discussion which we had with Mr. Shertok and Mr. Linton Regarding the offer made by the Regent of Hungary, I write to say that we have had a visit from a representative of the International Red Cross Delegation in London.

The International Red Cross at Geneva is extremely anxious that there should be positive response to this offer as soon as possible, since unless one is forthcoming, there is the danger that it will be withdrawn or, at any rate, whittled down, on the excuse that other countries, and especially the United Kingdom and United States of America are not really interested in the matter. We understand that the chief delegate in London is putting this point of view before the British Foreign Office, and that a similar point of view will be put before the State Department in Washington. We are in entire and strong agreement with the necessity of a very early response.

We explained to the delegate the position of the Intergovernmental Committee as stated in our interview with Messrs. Shertok and Linton. While we took the view that the International Red Cross should deal with matters in Hungary itself, and that they should lose no time in doing so, we made it quite clear that the Intergovernmental Committee is not only ready, but anxious, to do everything possible during the further stage, namely, that of finding places of asylum for those allowed to leave, and especially the children, transport and maintenance. I may add that the chairman of the Executive Committee, (Lord Winterton), and the Executive Committee itself, are very anxious that the Intergovernmental Committee should make the fullest use of this opportunity. I would, therefore, urge strongly that the American and British Governments, in consultation, should come to decisions as to the part they intend to play, and in particular, whether they are willing to make the necessary provision for the Intergovernmental Committee to carry out the operations which might be involved. The Intergovernmental Committee will then be in a position to correlate with the War Refugee Board their respective actions.

I shall

I shall be grateful if, in view of the extreme urgency of the matter, you will cable the substance of this letter to the State Department at Washington. I have sent a similar letter to Mr. Walker of the Foreign Office."

MMC

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special arrangement.
(Secret-W)

July 28, 1944
6 p.m.

World Jewish Congress
1834 Broadway
New York 23, New York

AMEMBASSY,

LISBON

2113

The following WRB cable 63 is for Dexter.

Please deliver the following message from the War Refugee
Board to Isaac Weissman, 179 Avenida da Liberdade, Lisbon:

QUOTE Received information concerning rescue possibil-
ities through Andorra Valley over Hospitalette. Mrs. Thomas,
Hotel Moderne, Escaldas, is reliable contact. Leon
Kubowitzki, World Jewish Congress, New York. UNQUOTE

STETTINIUS
ACTING
(GLW)

WRB:MMV:OMH
7/27/44

WE

S/CR

SFG
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arrangement. (SECRET W)

July 28, 1944
10 p.m.

AMEMBASSY,

LISBON

2118

The cable below from Department and Board is War Refugee Board 62.

1. There follows the substance of a message received from Amlegation Bern:

QUOTE A note from the Foreign Office, dated yesterday, states that according to a telegram from the Swiss Legation at Budapest, authorization has been given by the Government of Hungary for the departure of all Jews from Hungary who hold entry permits for another country, including Palestine.

This same message states that transit through occupied territories will be permitted by the German Government. As soon as possible the Swiss Legation, in collaboration with the Palestinian Bureau, Budapest, will take necessary measures for evacuation. It is probable that Hungarian police passports will constitute travel documents. UNQUOTE

2. There are a number of persons in enemy controlled areas to whom American visas were issued on and after July 1, 1941, the date when present existing procedures and security checks became effective, who, by reason of transportation difficulties and the advent of war, were unable to make effective use of such visas. It is believed that a large proportion of such persons are among those groups subject to enemy persecution. In the belief that the availability of new American visas for such persons may save their lives, the Swiss Government is being requested to advise enemy governments that American consular officers in neutral countries have been authorized to issue an immigration visa to any person to whom an American immigration visa was issued or for whom a visa was authorized on or after July 1, 1941 and who has been in areas controlled by Germany or any of Germany's allies since December 8, 1941, provided that such person presents himself to an American consular officer in a neutral country and is found not to have become disqualified for the issuance of a visa.

Accordingly, American consular officers in Portugal are hereby authorized to issue new American immigration visas to any such person

to

-2- #2118, July 28, 10 p.m. to Lisbon

to whom an American visa was issued or for whom such visa was authorized after July 1, 1941, provided that (a) such person other than a child under 16 years of age is found upon telegraphic reference to the department for security check not to be the subject of an adverse report dated subsequent to the previous approval, (b) such person is not affirmatively found by the consul to be inadmissible into the United States under the law, or (c) the consul does not consider that the case is one which should be recommended for consideration under the committee procedure.

Please advise appropriate Portuguese officials of the foregoing authorization and attempt to secure their prompt agreement to advise enemy governments of Portugal's willingness to permit the entry into Portugal, with or without transit visas, of all persons to whom American immigration visas were issued on or subsequent to July 1, 1941. You may assure such officials that any such persons so admitted will be adequately maintained and that any who may be found not (repeat not) to be qualified for the issuance of a visa will be evacuated as promptly as possible. Detailed instructions in connection with the issuance of new American immigration visas pursuant to the foregoing authority will follow promptly. The same request is being made of Switzerland, Turkey, Spain, Sweden, and Portugal.

3. There follows the substance of the pertinent portion of a message to Ambassador London:

QUOTE In further response to message from Legation Bern, the substance of which is quoted above, this Government is prepared to advise the Hungarian and neutral Governments that all Jews arriving in neutral countries from Hungary will be afforded havens in United Nations territory just as promptly as military considerations permit, neutral governments to be given adequate assurances as to the maintenance of such persons in the meantime and to be requested to advise the Hungarian Government of their willingness to receive such persons. Please endeavor to ascertain from the Foreign Office whether the Government of the United Kingdom will join this Government in this attempt to save lives. American missions in neutral countries are being instructed to take appropriate action along these lines in collaboration with their British colleagues if possible, alone if necessary. Since time is of the essence, British missions should be advised of Foreign Office views promptly. UNQUOTE

Accordingly, you are requested to consult with your British colleague and either in collaboration with him or alone,

as

-3- #2118, July 28, 10 p.m. to Lisbon

as the circumstances may develop, approach appropriate officials of the Portuguese Government with the request that Portugal advise the Hungarian Government that it is prepared to receive Jews released by Hungary and permitted to go to Portugal. You may assure appropriate Portuguese officials that if Portugal so advises the Hungarian Government, Jews arriving in Portugal from Hungary will be evacuated to United Nations territory as promptly as possible and that in the meantime the United States will undertake to make arrangements for their maintenance and support in Portugal. You should inform the Department and the Board promptly of the results of your consultation with your British colleague and your approach to the Portuguese Government.

4. Please keep Department and Board currently advised of all developments and any difficulties you may encounter.

HULL

STETTINIUS
(ACTING)
(GLW)

WRB:MMV:OMH
7/26/44

VD

S/CR

WE

SE

BC

NE

A-B

GEM-758

PLAIN

Lisbon

Dated July 28, 1944

Rec'd 9:59 p.m.

Secretary of State,

Washington.

2333, July 28, 5 p.m.

FOR LEAVITT FROM PILPEL

JDC 37 WRB 124. Further our 16 Donald Harwitz London advises Polish Government reconsidered and now authorizing parcel shipments. Your information have suspended all shipments basis information that packages unproceeding through France. Other organizations have done likewise. Will advise developments.

NORWEB

HTM

GEM-777

PLAIN

Lisbon

Dated July 28, 1944

Rec'd 10:42 p.m.

Secretary of State,
Washington.

2334, July 28, 5 p.m.

FOR LEAVITT FROM PILPEL

JDC 38 WRB 123.

For your information Max Perlman Italy advises
refugee group destined Camp Oswego New York contains
918 Jewish including 135 Orthodox also 47 Catholic
14 Greek Orthodox 5 Protestants total 984. 77 boys
under 14 years and 435 men mostly non-military age and
75 girls under 14 and 367 women total only 954. 185
single men 70 single women 5 pregnant mothers 12 chil-
dren under one year.

NORWEB

HTM

BA3-887
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arrangement. (Secret W)

Lisbon

105

Dated July 28, 1944

Rec'd 2:45 p.m.

Secretary of State,

Washington.

2335, July 28, 5 p.m.

FOLLOWING SUMMARY TELEGRAM FROM RESNIK ANKARA IS JDC 40 WRB 125
FROM PILPEL FROM LEAVITT.

Expenditures made for refugees from Greece and France in
Turkish lira were for March 6, 848; April 9, 192; May 7, 437; June
6, 749; in addition 1700 for small group in Ismir, total 31926.
Amount available July 24 approximately 15600. Admits receiving
\$27,000 as indicated your 298. Now assisting 157 families, 314
individuals.

NORWED

EB
WTD

DME-633
Distribution of true
reading only be special
arrangement. (SECRET W)

Lisbon

106

Dated July 28, 1944

Rec'd 5 p.m.

Secretary of State

Washington

2255, July 28, 5 p.m.

JDC 39 WRB 136 for LEAVITT FROM PELPEL.

Send quickly for J R Fopykin complete list names
dollar amount and rate of French transfers February
1941 through October 1942. This necessary so he can
compile complete financial data. He has his file
from France.

NORWES

WSB

BAS-794
Distribution of true
reading only by special
arrangement. (SECRET W)

Lisbon

July 28, 1944

Dated 11:15 a.m.

Secretary of State,
Washington.

2345, July 28, 8 p.m.

Have just received what purports to be full list of several hundred claimants to American and Pan American citizenship recently deported from Vittel together with detailed eyewitness account of events and certain suggestions for immediate action. Unless WEB has copy am mailing to Washington. This WEB 127. Since situation is desperate and delay possibly fatal could this Embassy approach Swiss as protecting power and ask for their intervention. Since most deportees South and Central American claimants, should approach to Swiss be made jointly or would it delay action too long?

NOHWEB

WSB

CABLE TO OFFICER IN CHARGE, AMEMBASSY, MADRID

Reference your 2479 to Department of July 15. Childs Tangier cables that telegram from Jewish Community Budapest indicates Spanish Minister there not (repeat not) instructed to issue visas. Childs advises that Tangier Jewish Community requests American assistance in accelerating issuance of such instructions. You are authorized and requested to take all appropriate steps in this regard.

2:55 p.m.
July 28, 1944

LSLesser:tmh 7-28-44

FBI

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arrangement. (SECRET-W)

July 28, 1944

10 p.m.

109

AMEMBASSY,
MADRID

2126

The following cable is from Department and War Refugee Board.

1. There follows the substance of a message received from
Amlegation Bern:

QUOTE A note from the Foreign Office, dated yesterday,
states that according to a telegram from the Swiss Legation
at Budapest, authorization has been given by the Government
of Hungary for the departure of all Jews from Hungary who
hold entry permits for another country, including Palestine.

This same message states that transit through occupied
territories will be permitted by the German Government. As
soon as possible the Swiss Legation, in collaboration with
the Palestinian Bureau, Budapest, will take necessary meas-
ures for evacuation. It is probably that Hungarian police
passports will constitute travel documents. UNQUOTE

2. There are a number of persons in enemy controlled areas to
whom American visas were issued on and after July 1, 1941, the date
when present existing procedures and security checks became effect-
ive, who, by reason of transportation difficulties and the advent
of war, were unable to make effective use of such visas. It is be-
lieved that a large proportion of such persons are among these
groups subject to enemy persecution. In the belief that the avail-
ability of new American visas for such persons may save their lives,
the Swiss Government is being requested to advise enemy govern-
ments that American consular officers in neutral countries have
been authorized to issue an immigration visa to any person to whom
an American immigration visa was issued or for whom a visa was auth-
orized on or after July 1, 1941 and who has been in areas controlled
by Germany or any of Germany's allies since December 8, 1941, pro-
vided that such person presents himself to an American consular
officer in a neutral country and is found not to have become dis-
qualified for the issuance of a visa.

Accordingly, American consular officers in Spain are hereby
authorized to issue new American immigration visas to any such per-
son to whom an American visas was issued or for whom such visa was
authorized after July 1, 1941, provided that (a) such person other
than a child under 16 years of age is found upon telegraphic refer-
ence to the Department for security check not to be the subject of
an adverse report dated subsequent to the previous approval, (b)
such person is not affirmatively found by the consul to be inadmiss-
ible into the United States under the law, or (c) the consul does
not consider that the case is one which should be recommended for
consideration under the committee procedure.

Please advise

Please advise appropriate Spanish officials of the foregoing authorization and attempt to secure their prompt agreement to advise enemy governments of Spain's willingness to permit the entry into Spain, with or without transit visas, of all persons to whom American immigration visas were issued on or subsequent to July 1, 1941. You may assure such officials that any such persons so admitted will be adequately maintained and that any who may be found not (repeat not) to be qualified for the issuance of a visa will be evacuated as promptly as possible. Detailed information in connection with the issuance of new American immigration visas pursuant to the foregoing authority will follow promptly. The same request is being made of Switzerland, Turkey, Sweden, and Portugal, Spain.

3. There follows the substance of the pertinent portion of a message to Amembassy London:

QUOTE In further response to message from Amlegation Bern, the substance of which is quoted above, this Government is prepared to advise the Hungarian and neutral governments that all Jews arriving in neutral countries from Hungary will be afforded havens in United Nations territory just as promptly as military considerations permit, neutral governments to be given adequate assurances as to the maintenance of such persons in the meantime and to be requested to advise the Hungarian Government of their willingness to receive such persons. Please endeavor to ascertain from the Foreign Office whether the Government of the United Kingdom will join this Government in this attempt to save lives. American missions in neutral countries are being instructed to take appropriate action along these lines in collaboration with their British colleagues if possible, along if necessary. Since time is of the essence, British missions should be advised of Foreign Office views promptly. UNQUOTE

Accordingly, you are requested to consult with your British colleague and either in collaboration with him or alone, as the circumstances may develop, approach appropriate officials of the Spanish Government with the request that Spain advise the Hungarian Government that it is prepared to receive Jews released by Hungary and permitted to go to Spain. You may assure appropriate Spanish officials that if Spain so advises the Hungarian Government, Jews arriving in Spain from Hungary will be evacuated to United Nations territory as promptly as possible and that in the meantime the United States will undertake to make arrangements for their maintenance and support in Spain. You should inform the Department and the Board promptly of the results of your consultation with your British colleague and your approach to the Spanish Government.

4. Please keep Department and Board currently advised of all developments and any difficulties you may encounter.

wrb:mmv:omh
7/25/44

VD WE STETTINIUS BC NE
S/CR

PARAPHRASE OF TELEGRAM RECEIVED

111

FROM: AMERICAN EMBASSY, MADRID
TO: Secretary of State, Washington
DATE: July 28, 1944
NUMBER: 2622

CONFIDENTIAL

Reference is made herewith to the Department's July 3 telegram No. 1887 and Embassy's July 19 despatch 2760.

To date the British Embassy has been instructed, in connection with the proposed joint Anglo-American de marche which cable under reference outlined, to approach the Government of Spain only with respect to willingness of its Government to help in providing food supplies needed in Spain in connection with refugee relief. Assurances in that sense have already been conveyed informally and orally by it to the Spanish Government and no further action is contemplated.

Specific action has been postponed by the Embassy pending receipt of similar instructions by British Embassy in view of the fact that joint representations are envisaged in the Department's telegram, however, points raised in that cable have been discussed with the Spanish Government fully and frequently in pursuance of assiduous efforts of the Embassy to obtain greatest possible degree of assistance and cooperation from that Government in rescue of victims of German persecution and for this reason and also in view of the fact that in response to Embassy's efforts the Spanish Government has shown its willingness to cooperate in this task by acceding to all requests made of it thus far, it is felt that formal representations to Spanish Government along lines suggested would be considered gratuitous at this time. We have the agreement of the British Embassy in this regard.

It is well known throughout Europe according to the testimony of refugees themselves, that latter are permitted to enter Spain and until such time as they can be evacuated to further destination they can count on receiving material assistance on Spanish territory, and for reasons outlined in Feb. 28 telegram No. 683 the Embassy does not consider it advisable that the Spanish Government be encouraged at the present time to call any more public attention to facilities which it is according to refugees escaping from German authority than is necessary.

Our willingness to contribute food and other supplies for relief of refugees in Spain by virtue of large quantities of such supplies which have been sent for that purpose to Spain from the U. S. during the past eighteen months, of which about two hundred tons are yet available for distribution, is fully known to the Spanish Government. The Spanish Government is in

no doubt

-2- #2622, July 28, 1944, From Madrid

no doubt either as regards our willingness to provide funds for this purpose inasmuch as virtually the whole financial burden of care of refugees in Spain during that period has been borne by the United States, American relief organizations and other interested Allied Governments.

Repeated assurances regarding U.S. and British Governments' efforts to provide havens of refuge for such refugees to make possible their onward movement from Spain have already been received by the Spanish Government.

The foregoing message has been repeated via courier to Lisbon for the information of our Embassy there.

BUTTERWORTH

LL-774
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special arrangement.
(SECRET W)

Madrid

Dated July 28, 1944

Rec'd 10:30 p.m.

Secretary of State,

Washington.

2623, July 28, 7 p.m.

Foreign Office states Spanish Government has authorized issuance of visas to 1500 persons mentioned in last paragraph my 2567, July 24 and has instructed Spanish Legation Budapest to make every effort to obtain from German and Hungarian authorities permission for their departure from Hungary.

BUTTERWORTH

BB

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Madrid.
TO: Secretary of State, Washington.
DATED: July 28, 1944.
NUMBER: 2624.

CONFIDENTIAL

The following, for the War Refugee Board, is submitted.

Message, as follows, has been sent as Number 112 to Tangier, and is repeated to the Department, herewith.

We refer to your message of July 25 to the Department, Number 220, for the War Refugee Board, and to your Number A-12 to the Embassy, dated July 25.

It is stated by the Foreign Office that on July 15 a telegram was drawn up which authorized the issuance of visas to 500 Jewish children in Hungary (see Embassy's message of July 15, Number 2479); however, it was the 20th of July before the telegram left the Foreign Office.

BUTTERWORTH.

DGB:LOW 7/31/44

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

Reference Stockholm's WRB no. 58 (Legation's 2716)
of July 21.

1. Remittance mentioned in WRB 38 (Department's 1313 of
July 1) expected to be made early next week.

2. \$50,000 mentioned in WRB 41 (Department's 1353
of July 7) will be effected through Chase Bank, New York, and
of this week.

3. World Jewish Congress advises that \$10,000 mentioned in
WRB 44 (Department's 1351, July 7) will be remitted next week.

THIS IS WRB CABLE NO. 62.

July 28, 1944
10:55 a.m.

NMC

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(SECRET-W)

TO BE SENT IN SECRET "W"

116

July 28, 1944
10 p.m.

War Refugee Board

AMLEGATION
STOCKHOLM

1501

The following from Department and Board is War Refugee Board cable 58.

1. There follows the substance of a message received from
Amlegation Bern:

QUOTE A note from the Foreign Office, dated yesterday, states that according to a telegram from the Swiss Legation at Budapest, authorization has been given by the Government of Hungary for the departure of all Jews from Hungary who hold entry permits for another country, including Palestine.

This same message states that transit through occupied territories will be permitted by the German Government. As soon as possible the Swiss Legation, in collaboration with the Palestinian Bureau, Budapest, will take necessary measures for evacuation. It is probably that Hungarian police passports will constitute travel documents. UNQUOTE

2. There are a number of persons in enemy controlled areas to whom American Visas were issued on and after July 1, 1941, the date when present existing procedures and security checks became effective, who, by reason of transportation difficulties and the advent of war, were unable to make effective use of such visas. It is believed that a large proportion of such persons are among those groups subject to enemy persecution. In the belief that the availability of new American visas for such persons may save their lives, the Swiss Government is being requested to advise enemy governments that American consular officers in neutral countries have been authorized to issue an immigration visa to any person to whom an American immigration visa was issued or for whom a visa was authorized on or after July 1, 1941 and who has been in areas controlled by Germany or any of Germany's allies since December 8, 1941, provided that such person presents himself to an American consular officer in a neutral country and is found not to have become disqualified for the issuance of a visa.

Accordingly, American consular officers in Sweden are hereby authorized to issue new American immigration visas to any such person to whom an American visa was issued or for whom such visa was authorized after July 1, 1941, provided that (a) such person other than a child under 16 years of age is found upon telegraphic reference to the Department for security check not to be the subject of an adverse report dated subsequent to the previous approval, (b)

-2- #1501, July 28, 1944 , to Stockholm , 10 p.m.

such person is not affirmatively found by the consul to be inadmissible into the United States under the law, or (c) the consul does not consider that the case is one which should be recommended for consideration under the committee procedure.

Please advise appropriate Swedish officials of the foregoing authorization and attempt to secure their prompt agreement to advise enemy governments of Sweden's willingness to permit the entry into Sweden, with or without transit visas, of all persons to whom American immigration visas were issued on or subsequent to July 1, 1941. You may assure such officials that any such persons so admitted will be adequately maintained and that any who may be found not (repeat not) to be qualified for the issuance of a visa will be evacuated as promptly as possible. Detailed instructions in connection with the issuance of new American immigration visas pursuant to the foregoing authority will follow promptly. The same request is being made of Switzerland, Turkey, Spain, and Portugal, and Sweden.

3. There follows the substance of the pertinent portion of a message to Amembassy London:

QUOTE In further response to message from Amlegation Bern, the substance of which is quoted above, this Government is prepared to advise the Hungarian and neutral governments that all Jews arriving in neutral countries from Hungary will be afforded havens in United Nations territory just as promptly as military considerations permit, neutral governments to be given adequate assurances as to the maintenance of such persons in the meantime and to be requested to advise the Hungarian Government of their willingness to receive such persons. Please endeavor to ascertain from the Foreign Office whether the Government of the United Kingdom will join this Government in this attempt to save lives. American missions in neutral countries are being instructed to take appropriate action along these lines in collaboration with their British colleagues if possible, alone if necessary. Since time is of the essence, British missions should be advised of Foreign Office views promptly. UNQUOTE

Accordingly, you are requested to consult with your British colleague and either in collaboration with him or alone, as the circumstances may develop, approach appropriate officials of the Swedish Government with the request that Sweden advise the Hungarian Government that it is prepared to receive Jews released by Hungary and permitted to go to Sweden. You may assure appropriate Swedish officials that if Sweden so advises the Hungarian Government, Jews arriving in Sweden from Hungary will be evacuated to United Nations territory as promptly as possible and that in the meantime the United States will undertake to make arrangements for their maintenance and support in Sweden. You should inform the Department and the Board promptly of the results of your consultation with your British colleague and your approach to the Swedish Government.

-3- #1501, July 28, 1944, to Stockholm, 10 p.m.

4. Please keep Department and Board currently advised of all developments and any difficulties you may encounter.

STETTINIUS
(ACTING)
(GLW)

WRB:MMF:OMH
7/26/44

VD

NOE

SE

WE

BC

NE
S/CR

FBM
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July 28, 1944

Midnight

AMLEGATION,

STOCKHOLM

1502

The War Refugee Board cable 62 below is for Olsen
Reference Stockholm's WEB no. 58 (Legation's 2716 of
July 21.

1. Remittance mentioned in WEB 38 (Department's 1313 of
July 1) expected to be made early next week.

2. \$50,000 mentioned in WEB 41 (Department's 1353 of
July 7) will be effected through Chase Bank, New York, and
of this week.

3. World Jewish Congress advises that \$10,000 mentioned
in WEB 44 (Department's 1361, July 7) will be remitted next
week.

STETTINIUS
(Acting)
(GLW)

WEB:MMV:OMH
7/28/44

NOE

SWP

S/CR

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special arrangement
(SECRET -W)

TO BE SENT IN SECRET "W"

July 28, 1944
Midnight

AMLEGATION,
STOCKHOLM

1503

The following for Olsen refers to Department's 1363 of
July 10 and is WEB 61.

There follows for your guidance and for transmission to
Wallenberg in your discretion the substance of a message from
Amembassy Ankara:

QUOTE There is now in active operation an organized
underground movement for transportation of refugees across
the border from Hungary into Rumania. No figures regard-
ing the actual number who have crossed into Rumania by
this method are available for obvious reasons, but we
are reliably informed that 600 to 700 refugees from
Hungary are now in Bucharest. In addition, refugees
from Hungary estimated to number 700 to 800 are now
hiding in frontier towns.

After the arrival of these refugees in Rumania, Baron
von Killinger, German Minister to Rumania, brought
pressure to bear on the Rumanian Government to enact a
decree to the effect that anyone escaping across the
Rumanian border would be executed by the Rumanians forth-
with. This decree was enacted and actually published in
Rumania.

We are informed that the Rumanian Government
has not enforced the decree but is requesting the
Jewish organizations in Rumania to arrange for the
evacuation of the refugees from Hungary at the
earliest possible moment.

The Rumanian Government is reported not to be
interfering at the present time with the escape of
refugees from Hungary into Rumania in the manner re-
ferred to above. From my observations here, this es-
cape route, while fraught with dangers, offers at the
moment the best means of evacuation of appreciable
numbers of refugees from Hungary. The requisites
for the utilization of this route are: One, care-
fully chosen personnel; two, tacit acquiescence of
Rumanians, and three funds for the documentation,
feeding and clothing of the refugees and the sub-
sidizing of INNERQUOTE agents END OF INNERQUOTE.
UNQUOTE

STETTINIUS
(Acting)
(GLW)

WEB:MMV:OMH

NOE SE

NE S/CR

Regraded Unclassified

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
 TO: American Legation, Bern
 DATED: July 28, 1944
 NUMBER: 2603

CONFIDENTIAL

FOR McCLELLAND.

Reference your 4257 of July 5.

There follows for your guidance the substance of a message from Amembassy Ankara:

QUOTE There is now in active operation an organized underground movement for transportation of refugees across the border from Hungary into Rumania. No figures regarding the actual number who have crossed into Rumania by this method are available for obvious reasons, but we are reliably informed that 600 to 700 refugees from Hungary are now in Bucarest. In addition, refugees from Hungary estimated to number 700 to 800 are now hiding in frontier towns.

After the arrival of these refugees in Rumania, Baron von Killinger, German Minister to Rumania, brought pressure to bear on the Rumanian Government to enact a decree to the effect that anyone escaping across the Rumanian border would be executed by the Rumanians forthwith. This decree was enacted and actually published in Rumania.

We are informed that the Rumanian Government has not enforced the decree but is requesting the Jewish organizations in Rumania to arrange for the evacuation of the refugees from Hungary at the earliest possible moment.

The Rumanian Government is reported not to be interfering at the present time with the escape of refugees from Hungary into Rumania in the manner referred to above. From my observations here, this escape route, while fraught with dangers, offers at the moment the best means of evacuation of appreciable numbers of refugees from Hungary. The requisites for the utilization of this route are: One, carefully chosen personnel; two, tacit acquiescence of Rumanians; and three funds for the documentations, feeding and clothing of the refugees and the subsidizing of INNER QUOTE agents END OF INNERQUOTE. UNQUOTE

THIS IS WRB BERN CABLE NO. 102.

HULL

PARAPHRASE OF TELEGRAM RECEIVED

122

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: July 28, 1944
NUMBER: 5826

CONFIDENTIAL

McClelland sends message as follows for WRB.

The following message from Comité Intellectuals,
is for Weissmann, self help. 1975.

Your message making known the transfer of \$11,000
has been received by us. We have been credited with 21
Swiss francs by the National Bank; information is requested
as to whether this 21 Swiss francs is part of the \$11,000
mentioned above. Your message telling of an additional
\$3,000 has been received also, but this money has not
arrived as yet. As to the people mentioned, we will enlist
their cooperation.

HARRISON.

DCR:LCW 7/31/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: July 28, 1944
NUMBER: 4839

SECRET

From McClelland for WEB.

Please refer to Department's message of June 22, No. 2131.

What selected ill or hospitalized civilian prisoners did the American Friends Service Committee have in mind in making this request? Specific information in this connection is desired by the Swiss authorities. During this war it has finally become general practice (contrary to last war) to exchange all civilians possible, even those thought "recoverable". During last war, these "recoverables" were main beneficiaries of hospital internment in neutral Switzerland. I have gained the impression that acceptance of any such ill civilians who were stateless would be viewed with reluctance by the Swiss. It is pointed out by the Swiss that requests for such hospitalization usually emanate from country whose nationals are concerned.

HARRISON

DOR:GPW

7-31-44

PLAIN

Bern

Dated July 28, 1944

Rec'd 11:01

Secretary of State,
Washington.

4851, Twenty-eighth

WRB FROM MCCLELLAND

Recently received urgent appeal from Mixed Relief Commission of ICRC based on reports from de Steiger ICRC delegate Bucharest regarding plight several thousand Soviet refugees who have been forced leave their homes by retreating German Army. 5500 such refugees are in Transylvania 1200 Tatars Province of Dobrudjia and many more thousands in other provinces of Rumania. Their situation is extremely precarious they have no right to work and no relief for them has been organized. ICRC appeals for funds purchase pharmaceutical products clothing Switzerland and to supply their delegates on spot with money to purchase foodstuffs and fuel. ICRC delegates have already approached Rumanian Government in attempt to secure work permits for these people. I forward this appeal to you for any helpful action you feel might be undertaken.

HARRISON

HTM

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: July 28, 1944
NUMBER: 4861

SECRET

Reference is made herewith to my messages of April 20, no. 2610, and of May 31, no. 3455.

It is reported by the Swiss that a representative of the Swiss Legation, Berlin visited Vittel on July 6 and 7 and confirmed that Malka Hager, Hersch, Liba, and Nettie Wachtel were detained there. Assurance that they would not be removed from camp was given by the Camp Commandant.

Foregoing refers to American interests in France.

HARRISON

CORRECTION TO
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: July 28, 1944
NUMBER: 4862

CONFIDENTIAL

This telegram was sent to you on July 28 as
Number 4826. The correct Number is 4862. Please
make appropriate changes in your file.

DCR:LCW 8/1/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern.
TO: Secretary of State, Washington
DATED: July 28, 1944
NUMBER: 4863.

CONFIDENTIAL

The following message is from McClelland for WRB.

Gurvic sends the following for Leo Wulmann, Americanose, whose address is 24 West Fortieth Street, New York, New York.

14.74

Negotiations are being conducted by us with the Red Cross regarding the possibilities of the emigration of Hungarian children up to ten years of age. We possess no definite indications with regard to visas for Canada and Brazil. It is requested that the steps necessary to clear up this situation be taken by you.

HARRISON.

DCR:LCW 7/31/44

CABLE FROM WAR REFUGEE BOARD TO KELLEY FOR HIRSCHMANN, ANKARA, TURKEY.

The Board is highly pleased with your efforts to increase the refugee movement from Bulgaria referred to in your 1344 of July 22.

For your information an informal memorandum has been given to the Bulgarian Minister to Stockholm through Legation contacts. This memorandum which was prepared along the lines suggested by the Board and of which you were orally advised prior to your departure has apparently been forwarded by courier to the Bulgarian Foreign Office. Meanwhile the American Legation in Stockholm has received an informal reply from the Bulgarian Minister stating substantially the following:

QUOTE Bulgarian actions with respect to Jews have been enforced with leniency and sympathy by all of our Government branches. It is a well known fact even among the Bulgarian Jews that the late King Boris, as well as the head of the Orthodox Church of Bulgaria, have made every effort to insure that Jews were treated with compassion. This is no less true of the general Bulgarian population which has maintained a sympathy for Jews which even today will be readily admitted by the Jews. It is a fact that Jews today are living under circumstances not worse but better than those faced by large group of Bulgarian citizens who have been driven from their homes when they were destroyed by American bombing and who have lost all possessions.

The Government of Bulgaria has never turned a deaf ear to humanitarian considerations or those of tolerance. All Bulgarians are mindful that only through moral integrity can a small nation find strength. No less today than heretofore do we stand ready to give consideration to suggestions for the protection of Jews and other refugee groups, but we insist that those advancing such proposals should themselves be in a position to show leadership in humanitarian principles.

The air forces of the United States have been engaged in acts of great violence and cruelty against defenseless civilian populations in Doupnitec, Vratza, Sofia, Skopie, Velles, Plovdiv and others. A most arbitrary violence has been done to the Chateau of Vrana where the Queen, only recently made a widow, is residing with her two fatherless children of seven and twelve years. The Chateau, which was far removed from any objective of a military nature and even far removed from other habitations, was totally destroyed.

- 2 -

If the people of Bulgaria can be assured that there are people in the United States of such a character who sincerely deplore these outrages and cruelties; if these who control the policies of the powerful American Republic, instead of directing threats, were to give assurances that the destruction and violence of their military leaders would be replaced, and that hereafter there would be no further ruin and slaughter of an innocent civilian population, then it may be said without question that the Government of Bulgaria would be prepared to recognize the moral justification and right of the United States to advance humanitarian pleas, and the Bulgarian population would readily welcome and approve action consistent with such advice. UNQUOTE

The Board suggested that the Legation consider replying informally to the Bulgarian Minister in the following vein:

QUOTE The problems arising from aerial bombings are not within the province of the War Refugee Board, but in considering such matters informally and objectively one cannot overlook the bombings by forces with which Bulgaria continues to be allied, of such civilian centers as Warsaw, Rotterdam, Belgrade, Amsterdam, London and Coventry. The methodical persecution and oppression of Jews and other helpless civilian minorities as heretofore and presently practiced in German controlled and German allied areas is quite separate and apart and over and above civilian suffering on both sides incident to military action, particularly aerial warfare. This Government has taken the unequivocal position that those responsible for the oppression, persecution, deportation or extermination of such civilian minorities as has been and is being witnessed in Germany, France, the Lowlands, Czechoslovakia, Poland, the Baltic states, the Balkan countries and elsewhere will be punished for their crimes. UNQUOTE

After quoting the appeal of the Senate Foreign Relations Committee of May 31 to the people of Hungary to protect the Jews, the Board's cable to Minister Johnson continued as follows:

Quote The same applies to other Axis countries, including Bulgaria. Those to whom these warnings are applicable have it within their power henceforth so to act with respect to Jews and other helpless civilian minorities as to invite more favorable consideration than their conduct up to now may warrant, and to demonstrate a resurgence of that moral integrity which alone gives nations, large or small, strength.

For your information and guidance, the informal response transmitted in your telegram under reference has, of course, made a very unfavorable impression. Whether the Bulgarian Minister or his principals realize

- 3 -

the seriousness with which the American people and Government consider the unspeakable treatment accorded Jews and other minorities by Germany and her satellites seem doubtful. It is likewise doubtful whether they realize the determination of this Government as expressed in the President's statement of March 24 and repeated by implication in the statement above quoted to see to it that those who share the responsibility therefor will be punished. UNQUOTE

THIS IS WRB ANKARA CABLE NO. 86.

July 28, 1944
3:05 p.m.

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

TO BE SENT IN SECRET "W"
July 28, 1944

War Refugee Board

AMEMBASSY
ANKARA

665

The cable below from Department and Board is War Refugee Board 83.

1. There follows the substance of a message received from Amlegation Bern:

QUOTE A note from the Foreign Office, dated yesterday, states that according to a telegram from the Swiss Legation at Budapest, authorization has been given by the Government of Hungary for the departure of all Jews from Hungary who hold entry permits for another country, including Palestine.

This same message states that transit through occupied territories will be permitted by the German Government. As soon as possible the Swiss Legation, in collaboration with the Palestinian Bureau, Budapest, will take necessary measures for evacuation. It is probably that Hungarian police passports will constitute travel documents. UNQUOTE

In view of the foregoing it is of the utmost importance that no effort be spared to induce the Turkish Government promptly either to issue transit visas to every person in Hungary holding a Palestine certificate or to inform the Hungarian Government that all such persons may enter Turkey enroute to Palestine without the formal issuance of visas, and to advise the Hungarian Government of its willingness to do so. Furthermore, every effort should be made with Jewish Agency representatives to secure the speedy issuance of as many additional Palestine certificates as possible to persons in Hungary. Time is obviously of the essence and the Board should be informed promptly of any difficulties that may be encountered.

2. Since the above quoted message may have broad implications, please endeavor urgently to ascertain whether the Turkish Government will promptly advise the Governments of Germany, Rumania, and Bulgaria and such authorities as there may be in Slovakia (as well as Hungary) that Turkey is prepared to issue transit visas to all persons holding Palestine certificates or to admit such persons enroute to Palestine without the formal issuance of transit visas. If Turkey has

already taken

already taken this position, it would nevertheless seem appropriate at this time formally to restate it to all Axis governments. Please keep the Department and Board advised.

3. There follows the substance of the pertinent portion of a message to Amembassy London:

QUOTE In further response to message from Bern, the substance of which is quoted above, this Government is prepared to advise the Hungarian and neutral governments that all Jews arriving in neutral countries from Hungary will be afforded havens in United Nations territory just as promptly as military considerations permit, neutral governments to be given adequate assurances as to the maintenance of such persons in the meantime and to be requested to advise the Hungarian Government of their willingness to receive such persons. Please endeavor to ascertain from the Foreign Office whether the Government of the United Kingdom will join this Government in this attempt to save lives. American missions in neutral countries are being instructed to take appropriate action along these lines in collaboration with their British colleagues if possible, alone if necessary. Since time is of the essence, British missions should be advised of Foreign Office views promptly. UNQUOTE

Accordingly, you are requested to consult with your British colleagues and either in collaboration with them or alone, as the circumstances may develop, approach appropriate officials of the Turkish Government with the request that Turkey advise the Hungarian Government that it is prepared to receive Jews released by Hungary and permitted to go to Turkey. You may assure appropriate Turkish officials that if Turkey so advises the Hungarian Government, Jews arriving in Turkey from Hungary will be evacuated to United Nations territory as promptly as possible and that in the meantime the United States will undertake to make arrangements for their maintenance and support in Turkey. You should inform the Department and the Board promptly of the results of your consultation with your British colleagues and your approach to the Turkish Government.

4. There are a number of persons in enemy controlled areas to whom American visas were issued on and after July 1, 1941, the date when present existing procedures and security checks became effective, who, by reason of transportation difficulties and the advent of war, were unable to make effective use of such visas. It is believed that a large proportion of such persons are among those groups subject to enemy persecution. In the belief that the availability of new American visas for such persons may save their lives, the Swiss Government is being requested to advise enemy governments that American consular officers in neutral countries have been authorized to issue an

immigration visa

immigration visa to any person to whom an American immigration visa was issued or for whom a visa was authorized on or after July 1, 1941, and who has been in areas controlled by Germany or any of Germany's allies since December 8, 1941, provided that such person presents himself to an American consular officer in a neutral country and is found not to have become disqualified for the issuance of a visa.

Accordingly, American consular officers in Turkey are hereby authorized to issue new American immigration visas to any such person to whom an American visa was issued or for whom such visa was authorized after July 1, 1941, provided that (a) such person other than a child under 16 years of age is found upon telegraphic reference to the Department for security check not to be the subject of an adverse report dated subsequent to the previous approval, (b) such person is not affirmatively found by the consul to be inadmissible into the United States under the law, or (c) the consul does not consider that the case is one which should be recommended for consideration under the committee procedure.

Please advise appropriate Turkish officials of the foregoing authorization and attempt to secure their prompt agreement to advise enemy governments of Turkey's willingness to permit the entry into Turkey, with or without transit visas, of all persons to whom American immigration visas were issued on or subsequent to July 1, 1941. You may assure such officials that any such persons so admitted will be adequately maintained and that any who may be found not (repeat not) to be qualified for the issuance of a visa will be evacuated as promptly as possible. Detailed instructions in connection with the issuance of new American immigration visas pursuant to the foregoing authority will follow promptly.

5. The foregoing measures represent an attempt on the part of this Government to take advantage of the information contained in the message from Amlegation Bern, the substance of which is quoted above, on various visas. The Board would appreciate any views that Hirschmann may have with respect to any further action that might be taken. In this connection, Hirschmann might consider, in the light of Department's 627 of July 11, WRB's 78, and such information as he may have through channels available to him, the advisability of requesting the Rumanian Government freely to admit Jews from Hungary into South Eastern Rumania pending their evacuation therefrom. Any views that Hirschmann may have should be transmitted to the Board promptly.

6. The instruction set out in paragraph marked three above is issued notwithstanding your 1287 of July 15.

STETTINIUS
Acting
(GLW)

WRB:MMV:OMH VD NE WE SE

BC A-B

S/CR

SECRET

Copy No _____

OPTEL No 245

Information received up to 10 A.M. 28th July 1944.

1. NAVAL

Home Waters One of H.M. Frigate's and M.T.B.'s attacked E-Boats off CAP D'ANTIFER (N. of HAVRE).

1 E-Boat sunk, One M.T.B. sunk in action and another by own forces after collision.

2. MILITARY

N.W. France U.S. Infantry and Armour attacking on 10 mile front West of ST. LO. have broken through enemy defences in considerable depth. CERISY LA SALLE, CANISY, and LE MEENIL HERMAN captured. Forward elements also reported within 5 miles of COUTANCES.

Italy In ADRIATIC Sector Polish troops have captured OSTRA and are fighting in outskirts of SENIGALLIA. Some progress in Central Sector where New Zealand and South African troops have captured several places south of FLORENCE including GASCIANO.

Russia Northern Sector, REZEKNE, DVINSK and SIAULIAI captured. Central Sector, BIALSTOK captured, SIEDLCE entered and bridgehead over River SAN extended. Southern Sector. LVOV and STANISLAVOV captured.

Burma On PALEL-TAMU road our troops have reached a point 6 miles N.W. of TAMU.

3. AIR OPERATIONS

Western Front 27th. Attacks delivered: 205 tons on four launching sites in DIEPPE-ROUEN area 86 tons on signal equipment depot BRUSSELS-VILVORE, 56 tons coastal battery Gravelines, 32 tons targets in GHEENT area, Operating North of PARIS fighters destroyed or damaged 266 railway wagons 27 Flak towers, 19 high tension towers and 9 locomotives. Over NORMANDY, fighters and fighter bombers destroyed 59 MT, 46 railway wagons, 7 tanks and 3 locomotives as well as 19 enemy aircraft for loss of 9 Allied craft. 27th/28th. 30 Mosquitoes despatched against STUTTGART.

Italy 26th. 455 Medium bombers and fighters attacked targets in Northern ITALY and in battle area. Bridge OSTIGLIA destroyed and two other bridges hit.

Hungary 27th. 828 tons dropped on armament works BUDAPEST and 66 tons on railway centre 100 miles S.W. BUDAPEST.

German Activity During 24 hours ending 6 A.M. 28th 151 flying bombs launched.

LATE NEWS

Far East Attack on SABANG 25th carried out by 3 British battleships, 1 French Battleship, 6 British Cruisers and 1 Dutch Cruiser, 2 aircraft carriers together with British, Australian and U.S. Destroyers. Attack by carrier-borne fighters preceded bombardment. Battleships bombarded barracks, commercial docks, workshops and coastal defences at about 18,000 yards. Cruisers closed to 8,000 yards and bombarded coastal batteries and wireless stations. An inshore force penetrated harbour itself and carried out close range bombardment and torpedo attacks. Inshore force came under heavy fire and suffered slight damage but only two casualties. Subsequently enemy aircraft attacked but were driven off by our fighters.

Home Waters. 27th/28th. 12 E-Boats attacked convoy route off DOVER. Our destroyers and coastal force patrols engaged and scored many hits, but two E-Boats evaded them and torpedoed and sank two ships in convoy.

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Regraded Unclassified

Hold for Hqs.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 29, 1944

TO Secretary Morgenthau
FROM Charles Bell

Respecting the selection of Bretton Woods, before last May 23 I had never heard of Bretton Woods or the Mt. Washington. On this date Dr. Kelchner came to the Treasury to discuss conference details and emphasized the importance of selecting the conference headquarters. At this time he threw out three possibilities: the Roney Plaza at Miami, the French Lick Springs Hotel at French Lick Springs, Indiana, and the Mt. Washington at Bretton Woods.

The discussion on the site was intermingled with other details concerning the conference and lasted pretty much the whole day. John Sullivan, Fred Smith, Harry White, Ed Bernstein, Dr. Kelchner and I weighed the advantages and disadvantages of the Roney Plaza, the chief advantage being that it was the port of entry for the foreign delegates and the chief disadvantage that it would be intensely hot. I called the Roney Plaza to determine whether or not portable air conditioning units could be temporarily installed and was advised that this was not practicable. French Lick Springs was likewise ruled out at the same time for the same reason, which left the Mt. Washington for consideration along with any other possibilities the Treasury might think up. This office checked possibilities at Atlantic City, Saratoga, Poland Springs, Maine, and elsewhere, only to find that it was much too late to schedule a conference of this size at any of these. In the course of this survey it developed that only about 25 percent of the resort hotels were opening this season and all of them seemed to be well booked.

At your suggestion I proceeded to New Hampshire to survey all possibilities in that State, covering first hotels in the vicinity of Rye, New Hampshire, which

- 2 -

included Stony Manor, the Wentworth, and the Farragut, the Army Base at Portsmouth, and then on to Mt. Washington. I unqualifiedly recommended in a memorandum to Mr. White and at the nine-thirty staff meeting to you that the Mt. Washington Hotel was, by liberal odds, the best site for the conference in the State of New Hampshire, for the obvious reason that it was the only hotel which offered at that time sufficient space to house the delegates, and as it turned out it was inadequate to house all of them.

You will be interested to know that matters relating to the installation of approximately 30 bathrooms were commenced before May 23, and any violation of WPB orders and regulations antedates our consideration of a conference site. There were, however, sundry items on which priorities were requested in the name of the Mt. Washington Hotel and on which the Treasury Department did facilitate the rapid handling of priorities. I have been informed by Arthur Fisher, Manager, Regional Compliance Department, for WPB at Boston, that he has no quarrel with any phase of priority applications made subsequent to May 23, and that his office acted upon all applications in strict accordance with the policy and procedure of the War Production Board. Hence it appears that we are definitely out of any squabble respecting priorities.

July 29, 1944

My dear Mr. President:

I thought you might be interested
in a copy of my closing address at
the Bretton Woods Conference.

Sincerely yours,

(Signed) Henry

The President,

The White House.

*Sent to Mr. Ladd
for transmission
by Ladd - 8/1/44*

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Sunday, July 23, 1944.

Press Service
No. 42-75

(The following broadcast by Secretary Morgenthau, marking the completion of the International Monetary Conference at Bretton Woods, N. H., will be broadcast on a coast to coast CBS hookup, and is for release in morning papers of Sunday, July 23, 1944. It is being released at Bretton Woods also.)

I am gratified to announce that the Conference at Bretton Woods has successfully completed the task before it.

It was, as we knew when we began, a difficult task, involving complicated technical problems. We came here to work out methods which would do away with the economic evils — the competitive currency devaluation and destructive impediments to trade — which preceded the present war. We have succeeded in that effort.

The actual details of an international monetary and financial agreement may seem mysterious to the general public. Yet at the heart of it lie the most elementary bread and butter realities of daily life. What we have done here in Bretton Woods is to devise machinery by which men and women everywhere can freely exchange, on a fair and stable basis, the goods which they produce through their labor. And we have taken the initial steps through which the nations of the world will be able to help one another in economic development to their mutual advantage and for the enrichment of all.

The representatives of the forty-four nations faced differences of opinion frankly, and reached an agreement which is rooted in genuine understanding. None of the nations represented here has altogether had its own way. We have had to yield to one another not in respect to principles or

- 2 -

essentials but in respect to methods and procedural details. The fact that we have done so, and that we have done it in a continuing spirit of good-will and mutual trust, is, I believe, one of the hopeful and heartening portents of our times. Here is a sign blazoned upon the horizon, written large upon the threshold of the future -- a sign for men in battle, for men at work in mines, and mills, and in the fields, and a sign for women whose hearts have been burdened and anxious lest the cancer of war assail yet another generation -- a sign that the peoples of the earth are learning how to join hands and work in unity.

There is a curious notion that the protection of national interest and the development of international cooperation are conflicting philosophies -- that somehow or other men of different nations cannot work together without sacrificing the interests of their particular nations. There has been talk of this sort -- and from people who ought to know better -- concerning the international cooperative nature of the undertaking just completed at Bretton Woods. I am perfectly certain that no delegation to this Conference has lost sight for a moment of the particular national interest it was sent here to represent. The American delegation which I have had the honor of leading, has, at all times, been conscious of its primary obligation -- the protection of American interests. And the other representatives here have been no less loyal or devoted to the welfare of their own people.

Yet none of us has found any incompatibility between devotion to our own countries and joint action. Indeed, we have found on the contrary that the only genuine safeguard for our national interests lies in international cooperation. We have come to recognize that the wisest and most effective way to protect our national interests is through international cooperation -- that is to say, through united effort for the attainment of common goals. This has been the great lesson taught by the war, and is, I think, the great lesson of contemporary life -- that the peoples of the earth are inseparably linked to one another by a deep, underlying community of purpose. This community of purpose is no less real and vital in peace than in war, and cooperation is no less essential to its fulfillment.

To seek the achievement of our aims separately through the planless, senseless rivalry that divided us in the past, or through the outright economic aggression which turned neighbors into enemies would be to invite ruin again upon us

- 3 -

all. Worse, it would be once more to start our steps irretraceably down the steep, disastrous road to war. That sort of extreme nationalism belongs to an era that is dead. Today the only enlightened form of national self interest lies in international accord. At Bretton Woods we have taken practical steps toward putting this lesson into practice in the monetary and economic field.

I take it as an axiom that after this war is ended no people — and therefore no government of the people — will again tolerate prolonged and wide-spread unemployment. A revival of international trade is indispensable if full employment is to be achieved in a peaceful world and with standards of living which will permit the realization of men's reasonable hopes.

What are the fundamental conditions under which commerce among the nations can once more flourish?

First, there must be a reasonably stable standard of international exchange to which all countries can adhere without sacrificing the freedom of action necessary to meet their internal economic problems.

This is the alternative to the desperate tactics of the past — competitive currency depreciation, excessive tariff barriers, uneconomic barter deals, multiple currency practices, and unnecessary exchange restrictions — by which governments vainly sought to maintain employment and uphold living standards. In the final analysis, these tactics only succeeded in contributing to world-wide depression and even war. The International Fund agreed upon at Bretton Woods will help remedy this situation.

Second, long-term financial aid must be made available at reasonable rates to those countries whose industry and agriculture have been destroyed by the ruthless torch of an invader or by the heroic scorched earth policy of their defenders.

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

They must be enabled to produce and to sell if they are to be able to purchase and consume. The Bank for International Reconstruction and Development is designed to meet this need.

- 4 -

Objections to this Bank have been raised by some bankers and a few economists. The institutions proposed by the Bretton Woods Conference would indeed limit the control which certain private bankers have in the past exercised over international finance. It would by no means restrict the investment sphere in which bankers could engage. On the contrary, it would greatly expand this sphere by enlarging the volume of international investment and would act as an enormously effective stabilizer and guarantor of loans which they might make. The chief purpose of the Bank for International Reconstruction and Development is to guarantee private loans made through the usual investment channels. It would make loans only when those could not be floated through the normal channels at reasonable rates. The effect would be to provide capital for those who need it at lower interest rates than in the past, and to drive only the usurious money lenders from the temple of international finance. For my own part, I cannot look upon this outcome with any sense of dismay. Capital, like any other commodity, should be free from monopoly control, and available upon reasonable terms to those who will put it to use for the general welfare.

The delegates and technical staffs at Bretton Woods have completed their portion of the job. They sat down together, talked as friends, and perfected plans to cope with the international monetary and financial problems which all their countries face in common. These proposals now must be submitted to the legislatures and the peoples of the participating nations. They will pass upon what has been accomplished here.

The result will be of vital importance to everyone in every country. In the last analysis, it will help determine whether or not people have jobs and the amount of money they are to find in their weekly pay envelopes. More important still, it concerns the kind of world in which our children are to grow to maturity. It concerns the opportunities which will await millions of young men when at last they can take off their uniforms and come home and roll up their sleeves and go to work.

This monetary agreement is but one step, of course, in the broad program of international action necessary for the shaping of a free future. But it is an indispensable step and a vital test of our intentions.

- 5 -

Incidentally, tonight we had a dramatic demonstration of these intentions. Tonight the Soviet Government informed me, through Mr. Stepanov, Chairman of its Delegation here in Bretton Woods, that it has authorized an increase in its subscription to the International Bank for Reconstruction and Development to \$1,200,000,000. This was done after a subscription of \$900,000,000 had been agreed upon unanimously by the Conference. By this action, the Union of Soviet Socialist Republics is voluntarily taking a greatly increased responsibility for the success of this Bank in the post-war world. This is an indication of the true spirit of international cooperation demonstrated throughout this Conference.

We are at a crossroads, and we must go one way or the other. The Conference at Bretton Woods has erected a signpost — a signpost pointing down a highway broad enough for all men to walk in step and side by side. If they will set out together, there is nothing on earth that need stop them.

oOo

July 29, 1944

Dear Cordell:

Your letter of July 26 on the subject of the Bretton Woods Conference pleased me very much.

I agree entirely with you that it was an inspiring example of international cooperation which I feel holds out great hope for future agreements.

That it was so is due principally to the ground work you have laid and to the superb cooperation we of the Treasury enjoyed from you and your colleagues of the State Department.

My strongest impression of the Conference is of the complete harmony and teamwork in the American delegation; and I think that situation showed its effect in the work of the Conference.

With gratitude and cordial personal regards,

Sincerely,

The Honorable
Cordell Hull
Secretary of State


HGAja
7/28/44

*Copy to Mr. 114
Horton 2/1/44*

THE SECRETARY OF STATE
WASHINGTON

July 26, 1944

Dear Henry:

It affords me great pleasure to extend my heartiest felicitations on the very fine results achieved at Bretton Woods. Your good judgment and able leadership made an invaluable contribution to the highly gratifying success of the meeting.

This conference is another inspiring example of effective international cooperation.

Again my warmest congratulations, and with kindest personal regards and best wishes,

Sincerely yours,



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

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 29, 1944

TO Secretary Morgenthau

FROM Mr. Glasser *ff.*

(2)

Subject: Proposed Financial Terms for the Fourth Protocol of the U.S. - U.S.S.R. Lend Lease Agreement.

1. At the request of the State Department for Treasury recommendation as to the appropriate financial terms for the proposed extension of post-war credits to the U.S.S.R. under the Lend-Lease Agreement, you forwarded a letter to the Secretary of State on March 22 recommending:

- (a) that the interest rate charged should be currently set at 2.1 percent, the average rate of carrying costs on the U.S. public debt -- the Soviet Government to be notified in December of any given year of the rate applicable to the ensuing year.
- (b) that the credits should be amortized over a 20 year period beginning 3 years after the commencement of the credits.

2. These terms have been discussed by the State Department and the Foreign Economic Administration with the Russians who request the following modifications in the proposed financial terms:

- (a) a fixed rate of interest to be agreed upon in advance and applicable throughout the period of amortization.
- (b) the credits to be amortized over a 30 year period beginning ten years after the commencement of the credits.

- 2 -

3. If you approve, we will recommend terms to the State Department for presentation to the Russians:

- (a) a fixed rate of interest of 2.5 percent.
- (b) amortization of a fixed percentage per annum over a 30 year period with a waiting period of 5 years; no payment for first 5 years, with 4 percent per annum for the next 25 years. ?
- (c) if it is necessary to further modify these terms in order to obtain agreement, then it is recommended that amortization during the early years be at a lower rate with a corresponding higher rate during the later years; no payment for the first five years, 2-1/2 percent for the second 5 year period and 4-1/2 percent for the last 20 years.

4. The above recommendations are based on the following considerations:

- (a) our view that it is desirable for amortization to begin as early as possible even if this entails a lower rate of amortization during the early years.
- (b) 2.5 percent has been selected as the appropriate interest rate because it provides us with the required margin for adjustment. The present market rate of interest on U. S. securities of 1.93 percent will rise as the short term debt is converted into long term.
- (c) The terms agreed to will serve in part as a precedent for negotiations with other governments on the extension of postwar credits under Lend Lease.

March 22, 1944

My dear Mr. Secretary:

This letter is in response to the request of the State Department for the views of the Treasury with regard to the appropriate financial terms of the proposed extension of post-war credits to the U. S. S. R. under the Lend-Lease Agreement.

It is the view of this Department that the credits should be amortized over a twenty-year period beginning three years after the commencement of the credits and that the interest rate charged should be set at the average rate of carrying costs on the U. S. public debt plus $1/8$ of 1%. Under the present circumstances, the interest rate would thus be set at 2.1%. The Soviet Government should be notified in December of any given year of the rate applicable to the ensuing year. This procedure would assure our public that the cost of the credit advanced to the U. S. S. R. is fully paid and it would assure the U. S. S. R. that it is getting the best terms which this government can extend.

The Treasury believes that the question as to whether a shorter amortization period should be used as a basis for discussion can best be left to those responsible for conducting the negotiations.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Cordell Hull,
Secretary of State,
Washington, D. C.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 29, 1944

TO Secretary Morgenthau

FROM Mr. Haas

Subject: The outlook following the collapse of Germany

In response to your request of July 26, this memorandum has been prepared to analyze the economic outlook after the collapse of Germany and to appraise the implications with respect to Treasury financing plans.

Our present situation

Currently, it appears that a shift to lower production and employment levels has already begun. The FRB index of industrial production reached its peak last fall at 247, and has gradually declined to a low of 235 in June. This has been largely due to a shortage of manpower, but has been affected to some extent by outbacks and shifts in production of various war goods. Factory employment has declined relatively more than production.

The changing trend is reflected in a recent levelling-out of income payments to individuals. Income payments have held about unchanged since February, when a peak was reached at an annual rate of \$155.2 billions. The rate in May, the latest available, was \$155.0 billions.

The Japanese war

After the defeat of Germany, the two most important underlying factors in the economic situation during the war with Japan will be (1) the fact that the Government will still be running a very large deficit and (2) the fact that reconversion difficulties undoubtedly will provide temporary bottlenecks.

The fact that a large deficit will occur should assure an underlying push for full employment during the period. A confidential study has been prepared in the Budget Bureau indicating that the deficit during the period of the Japanese war will run at an annual rate of about \$40 billions. The study is now being revised, and the deficit figure quoted

- 2 -

will probably be somewhat lower; but it looks as though a deficit of not less than, say, \$25 billions to \$30 billions can be expected during the period. This means that individuals and businesses will continue to receive income far in excess of the amount of goods and services available for them to buy. This is evident because the full size of the deficit will, of course, be matched by the excess income of the rest of the economy.

On this basis, it is difficult to conclude otherwise than that demand for goods and services will be high; and the level of production and employment will hold up fairly well, except for irregular reconversion progress in various industries.

No one can say for sure whether the reconversion difficulties will be severe enough to cause widespread unemployment, even though the existence of a large deficit is creating extra purchasing power concurrently. It seems reasonable to assume, however, that reconversion will proceed fairly smoothly. One thing the American economy has shown clearly in the war period is an ability to proceed with mass organizational problems in production with amazing smoothness. It would seem that reconversion ought to be a great deal easier than conversion to war, especially since many of the machines for civilian production have been stored and will be returned to use at the first opportunity, rather than requiring the development of new machine tools for completely new sets of models.

With the outback in war outlays after the German defeat, increases in civilian output should mount rapidly. Automobiles, radios, and other consumers' durable goods can undoubtedly be produced in large quantities once we cut back war production significantly. Manpower is the worst bottleneck today in holding up production, and the release of manpower to civilian goods during the period of the Japanese war will probably be ample to produce a large quantity of civilian goods. With the continued strength in consumer incomes resulting from the deficit, demand should be adequate to absorb these goods at profitable prices.

This is not to say that there will not be more unemployment nor that many elements in the economy will not be complaining bitterly. Labor may resist the shift to less

- 3 -

well paid jobs and the elimination of extra rate pay. Business may argue that termination payments are too low or too slow. Both labor and business may argue against plans for the sale of war plants and surplus property. Manpower problems in war production may compound as the exodus to peace time jobs intensifies. But fundamentally the level of economic activity will be high and unemployment will be eased rather quickly by reconversion and the expected "evaporation" from the labor market which will occur in increasing amounts as former housewives and students leave war employment.

During the period of the Japanese war inflation will continue to be an important, though diminishing, hazard. Inflation has been averted so far by a restraint in spending which reflects the patriotism and good sense of the American people. With the decrease in the demands of the Government on the economy and the increased supply of consumers' goods which will characterize this period, the necessity for this restraint will diminish, but there is a danger that the restraint itself will diminish even more rapidly. For this reason it will be necessary to maintain both the direct price and rationing controls and the anti-spending pressure of the War Loan drives -- relaxing them only gradually as the need disappears.

Implications for Financing

The war loan technique is called for only when the fundamental economic situation is such that it is appropriate for the Government to encourage saving and discourage spending. When and if there should develop any considerable body of unemployment brought about by a deficient demand for consumers' goods, the war loans -- and the payroll savings plan as well -- would constitute a further depressant to employment and should be discontinued forthwith. It does not appear, however, that a situation calling for the cessation of appeals to individual saving through war loans and the payroll savings plan is likely to develop during the continuance of the Japanese war. There will be some, perhaps considerable, unemployment, but it will be due to technological bottlenecks rather than to a deficiency of demand. The discontinuance of war loans and of the payroll savings plan would be of no help in reducing such unemployment, but would merely enhance the still existing inflationary hazard.

- 4 -

The changes in the economic situation to be anticipated following the German collapse will, therefore, make no fundamental difference in the objectives to be sought in the sales of Government securities to individual investors. They will make a big difference, however, in the techniques which can be successfully applied. It will probably no longer be feasible to plan war loans as far in advance as hitherto. This is particularly true in the case of the Sixth Loan which may be planned before the German collapse and occur after it. Goals and quotas will have to be set with great caution. Sales resistance will increase tremendously after the German collapse, and the increase will be very irregularly distributed between classes of investors and geographical areas, depending on the incidence of reconversion costs and of cutbacks and layoffs. In order to minimize these difficulties it will be advisable to delay the determination of quotas for the Sixth and subsequent loans as long as is administratively practicable.

JCG - 169
Distribution of true
reading only by special
arrangement. (SECRET W)

Algiers

Dated July 29, 1944

Rec'd 6:02 a.m., 30th

Secretary of State,

Washington.

2546, July 29, 7 p.m.

FOR WAR REFUGEE BOARD FROM SAXON.

JDC representative states JDC New York has not
(repeat not) been able to remit funds to Italy from
New York. JDC requests your urgent assistance.

CHAPIN

HTM

CONFIDENTIAL

No. 1893

Quito, Ecuador, July 29, 1944

**Subject: Acceptance by Ecuador of Proposal to Receive
Refugee Children****The Honorable****The Secretary of State,
Washington.****Sir:**

With reference to this Embassy's telegram No. 762 of July 28, 12 noon, I have the honor to transmit herewith a copy and translation of an Aide Memoire from the Ministry for Foreign Affairs in which the Ecuadoran Government accepts in principle the proposal regarding refugee children outlined in the Department's circular airgram of April 20, 1944, 7:35 p.m.

It will be noted that the Aide Memoire makes no mention of the number of children that Ecuador is prepared to accept. From the tenor of its conversations with the Ministry for Foreign Affairs, the Embassy believes that further details concerning the practical application of the proposal will have to be furnished the Ecuadoran Government before it will be able to indicate the number of children that it will accept or before it will be able to take any action to implement the plan.

Respectfully yours,**Enclosures:**

1. Copy of Aide Memoire,
July 21, 1944
2. Translation.

Copy to Consulate General, Guayaquil**SHO:1
CGR:mt**

Enclosure No. 2 to despatch No 1893 of July 29, 1944,
from American Embassy, Quito, Ecuador.

TRANSLATION

AIDE MEMOIRE

The Ministry for Foreign Affairs, in reply to the confidential inquiry made by the Embassy of the United States of America on May 8 last about the possibility of Ecuador's receiving a group of orphaned or abandoned European children without regard to their religion or nationality, takes pleasure in stating that the Ministry of Social Welfare, having been advised of the matter, accepts in principle receiving refugee children from European nations provided that the country can count on sufficient funds, for which the necessary assistance from private charitable institutions is being sought.

TR:CGR:mt

CABLE TO AMERICAN EMBASSY, LONDON

Please deliver following message from War Refugee Board to Messrs. Silverman and Barou, 55 New Cavendish Street, London, W.1, England:

QUOTE Barlas asked Turkish Government to fix quota of family transit visas to be issued in each of the countries Bulgaria, Hungary, Rumania to 50 per week. On June 9 Kemal Azis of Turkish Foreign Office informed Barlas that his government could not go beyond 20 visas weekly since this was the figure suggested by British Embassy. Kindly check on this information and intervene, as Turkey is life-line for escape and as we received numerous complaints that Palestine certificates granted for Bulgaria could not be utilized because of Turkish transit policy. Inform Linton. A. Leon Kubowitzki, World Jewish Congress, New York. UNQUOTE

July 29, 1944
10:30 a.m.

CABLE TO AMERICAN EMBASSY, LONDON

Please deliver following message from War Refugee Board to Baron Rubenstein, 55 New Cavendish Street, London, W 1, England:

QUOTE Your number 308. Have consulted War Refugee Board which energetically taking all appropriate action in light of situation as known by it. Inform Shertok. Maurice Perlzweig, World Jewish Congress, New York. UNQUOTE

July 29, 1944
10:30 a.m.

LSLesser:tmh 7-27-44
mhh

CABLE TO AMERICAN EMBASSY, LONDON

Please deliver following message from the War Refugee Board to Dr. Ignacy Schwarzbart, 45 Queens Court, London, England:

QUOTE Consider it my duty inform you Jewish opinion profoundly troubled failure Polish underground attempt destruction death installations Oswiecim, Treblinka, Birkensu. This failure interpreted as evidence that Polish underground either considerably weaker than boasted or unwilling succor Jews in extermination danger. This feeling added to conviction that Polish official financial assistance to Jews in Poland has been utterly inadequate results in the most unfavorable comments. A. Leon Kubowitzki, World Jewish Congress, New York. UNQUOTE

July 29, 1944
10:35 a.m.

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, London
DATE: July 29, 1944
NUMBER: 5996

CONFIDENTIAL

FROM PEHLE.

Please thank Emerson for kind invitation to WRB to send observer to session of Plenary Committee of IGC, and inform him that because of impossibility of sending Washington observer we are relying on Embassy to keep us informed.

PARAPHRASE OF TELNOGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATE: July 29, 1944
NUMBER: 6037

CONFIDENTIAL

The following message is to War Refugee Board for Mr. Kubewitzky of The World Jewish Congress, New York, from Mr. Ernest Frischer of the Czechoslovak State Council.

Please add following information to my July 15 message:

I have been advised that Rabbi of Nitra (Nestra) Slovakia was able to assist Jews who fled from Poland via Slovakia to Hungary. It became necessary for him to discontinue this activity because of change of regime in Hungary.

I believe that destruction of gas chambers and crematoria in Czeissia by bombing would have a certain effect now. Germans are now exhuming and burning corpses in an effort to conceal their crimes. This could be prevented by destruction of crematoria and then Germans might possibly stop further mass exterminations especially since so little time is left to them. Bombing of railway communications in this same area would also be of importance and of military interest.

WINANT

DCR:EBH 7/31/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATE: July 29, 1944
NUMBER: 6040

Following is for WEB and the Department.

Given below is the substance of a cable sent to Ankara as no. 46, Lisbon as no. 142, Madrid as no. 116, Stockholm as no. 230, Bern as no. 230.

International Red Cross Committee has been informed by authorities of Hungary that Jewish children under ten years of age having the necessary visas may leave Hungary. Your British colleague is today being cabled by the British Foreign Office which cable instructs him to approach the Government to which you are accredited to express the hope that it is prepared to receive these children and to re-affirm assurances made previously that any supplies necessary for the care of these children will be made available through the blockade. While no specific instructions concerning these particular children have been received by us from the Department, the approach which your British colleague is to make is consistent with the policy we have been directed to further and is clearly in line with general instructions which this Embassy received previously from the Department. Therefore, it is suggested by the Embassy that you may desire to concert action with your British colleague.

The Embassy is making this suggestion to you directly in view of our understanding that British representatives are being requested by the Foreign Office to take action at once and therefore there is not sufficient time to refer to the Department this matter.

WINANT

DCR: IDB:SSW
8/1/44

LFG-929

PLAIN

London

Dated July 29, 1944

Rec'd 2:30 p.m.

Secretary of State,
Washington.

6045, Twenty-ninth

Embassy is airmailing agenda of seventh meeting of Executive Committee of IGC held July 26, also draft record proceedings of meeting.

Only one question arose at meeting on which Executive Committee desires Department's approval before issuing final record of proceedings. This is proposal to allocate 1000 pounds for survey to be made in Switzerland to collect information concerning various groups of refugees and particulars concerning individuals in such groups. IGC feels that this survey will be of great value to it particularly in later period of relocation of displaced persons.

It is hoped that the United States Government will agree to the allocation from funds already contributed on one-half (500 pounds) of the sum proposed for expenditure on this project in order not to delay issuance of final draft of proceedings. Department's approval is requested by cable.

WES

WIKANT

~~PLAIN-100~~

PLAIN

London

Dated July 29, 1944

Rec'd 11 p.m.

Secretary of State

Washington

6054, Twenty-ninth

Director Intergovernmental Committee on Refugees
requests following message be transmitted to War
Refugee Board:

We have been given copy of cable sent to World
Jewish Congress by Dobkin and Weissman from Portugal
regarding Jewish children in France. We understand
Jewish Congress in America has approached or will
approach War Refugee Board. Our views at present are
as follows:

First real difficulty is to get children out of
France. Approaches made by Swiss Government on our
behalf a few months ago failed. We would favour fur-
ther approach by International Red Cross. Second if
children can be got out of France we had assurances
first from United States Government that its offer to
take 5,000 children still held good and similarly from
Canada for its offer of 1,000. Prima facie therefore

homes

-2- #6054, Twenty-ninth, from London

homes would be available for 3,000 children if they reached Spain or Portugal but this might be subject to adjustment if many children got out of Hungary and it seemed desirable to seek priority for them with American and Canadian Governments. Third as regards maintenance when we discussed the matter several months ago with World Jewish Congress and then independently with Schwartz we understood that even if the former could not supply funds about which it held out prospects the Joint Distribution Committee would certainly be willing to assume responsibility for maintenance. As this would be for only short period there should be no difficulty. Fourth we have no information whether Weiseman's present proposals have been made in collaboration with the Joint; if not we think it most desirable that they should come into the scheme. Only immediate action required appears to be approach by International Red Cross to French authorities. We are quite ready to take this up with Geneva either independently or jointly with War Refugee Board."

WINANT

BTM

BE-799

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

Naples

Dated July 29, 1944

Rec'd 12:01 a.m.

Secretary of State

Washington

20, July 28, 6 p.m.

FOR WAR REFUGEE BOARD FROM ACKERMAN NO. 101

Have been at office of United States Political Adviser AFHQ in Italy for several days where have read cables for period of last five weeks. Due to my rapid movement I have not seen many of them before. Also just received several official communications sent to Consulate, Naples. After discussion with American Ambassador Murphy have decided make this my headquarters reason communication facilities here, although expect spend much time elsewhere. Since message numbers from me since arrival Italy are somewhat confused have numbered this message 101 and will continue this series. If possible arrange for WRB cipher to be used here.

REPEATED TO ALGIERS FOR SAXON AS 5.

MURPHY

DU WTD

HM-1

PLAIN

Caserta via Naples

Dated July 29, 1944

Rec'd. 5:05 p.m.

Secretary of State

Washington

27, July 29.

FOR WAR REFUGEE BOARD FROM ACKERMANN 104.

James Murphy coworker with Arthur Goldberg talked to me in Rome about adding man to my staff. All arrangements can be made here providing you agree. Please reply urgently.

MURPHY

DU

NPL

MS-17

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

Naples via war

Dated July 29, 1944

Rec'd 6:11 p.m.

Secretary of State,

Washington

29, July 29, 4 p.m.

FOR WRB FROM ACKERMAN 102

Subject matter of your 36, July 21, was discussed with Heathcote-Smith at Rome last week. I examined some records but not some unavailable because of further checking. From this material and other memoranda prepared by him I am reasonably certain many refugees formerly in central Italy were moved northwards to unknown destination shortly before Allied advance. Evidence does not indicate present whereabouts so as to aid rescue but we have name or at least one Italian official involved. While I do not feel too optimistic that our propaganda campaign has been successful so far and think it should be continued. Best procedure seems to be for ambassador or other high official to give public warning coordinated with OWI to assure widest publicity. Copy of Heathcote-Smith telegram and memoranda will be sent by air pouch probably not arriving for 10 days.

MURPHY

HR

RA-26

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

Naples via War

Dated July 29, 1944

Rec'd 5:50 p.m.

Secretary of State

Washington

33. July 29. 3 p.m.

FROM ACKERMAN, 103 FOR WAR REFUGEE BOARD FOR WAR.

Re location authority.

Message from Dillon Meyer for Stauber regarding biographical sketches received too late for delivery. Possibly can be radioed your end. Suggest, however, WRA be advised of letter from Ferramente group to President Roosevelt together with book of photographs. Material being carried by refugee Ferdinand Kaska.

MURPHY

RR:BB

CABLE TO AMERICAN DELEGATE, ROME, FROM WAR REFUGEE BOARD

Please deliver the following message to Count Carlo Sforza, Rome, from Johan Smertenko of the Emergency Committee to Save the Jewish People of Europe, Inc.:

"SECOND NATIONAL CONFERENCE EMERGENCY COMMITTEE TO SAVE THE JEWISH PEOPLE OF EUROPE WILL BE HELD NEW YORK AUGUST SEVENTH STOP AS ONE WHO CONTRIBUTED ENORMOUSLY TO CREATION OF COMMITTEE BY PARTICIPATING IN FIRST CONFERENCE LAST YEAR YOU CAN RENDER GREAT SERVICE TO TRAGIC CAUSE OF JEWISH PEOPLE BY MESSAGE OF ENCOURAGEMENT STATING PLANS OF ITALIAN GOVERNMENT TOWARD REHABILITATION ITALIANS OF HEBREW DESCENT IN POLITICAL AND ECONOMIC LIFE OF ITALY STOP WARMEST PERSONAL REGARDS AND CONGRATULATIONS YOUR SPLENDID WORK FOR ITALIAN DEMOCRACY"

July 29, 1944
2:25 p.m.

SECRET

CABLE TO OFFICER IN CHARGE, AMERICAN EMBASSY, FOR HIRSCHMANN

There follows the text of a communication received from the Apostolic Delegate, Washington:

QUOTE In further reference to my letter of July 7, 1944, concerning the plight of the Jewish people in Hungary, I am pleased to inform you that I have received another communication on the subject from His Eminence, the Cardinal Secretary of State.

His Eminence states that according to a communication of July 15, 1944, from the Apostolic Nunciature in Budapest, the personal appeal of the Holy Father to Regent Horthy has lead the latter to assume a more determined attitude of opposition to the racial laws. Likewise the members of the Catholic Hierachy were encouraged to carry on a more intense activity in favor of victims of racial laws.

It seems that the Government of Hungary has now given assurance to His Eminence, Cardinal Seredi, Primate of Hungary, that deportations of Jewish people will cease. The Apostolic Nunciature adds that in fact the whole racial situation is somewhat improved. UNQUOTE

Please advise the Board of any information you may have indicating whether Hungarian authorities are fulfilling assurances above reported.

THIS IS WRB ANKARA CABLE NO. 87.

July 29, 1944
10:54 a.m.

LSLesser:tmh 7-28-44
mhh

CABLE TO AMERICAN CONSULATE GENERAL, JERUSALEM

Please deliver following message from War Refugee Board to Mrs. Gertrude van Tyn and Mr. Jacob van Blitz, Jewish Agency, Jerusalem:

QUOTE Rejoice your safe arrival. Convey our heartiest greetings to friends rescued with you. Kindly forward to us for rescue purposes through American Consulate and War Refugee Board following information: number Jewish inmates Belsen-bergen, what nationalities, number Jewish holders Latin American passports, Palestine certificates, other categories, details on sanitary and food situation, lists of remaining, deported, deceased. Did deportations from Belsenbergen to Poland occur during your presence? Did individual food parcels or collective food shipments reach Belsenbergen? Did visits from German or International Redcross delegates take place? Kindly convey also all other information useful for rescue. A. Leon Kubowitzki, World Jewish Congress, New York. UNQUOTE

July 29, 1944
10:40 a.m.

CABLE TO AMERICAN CONSULATE GENERAL, JERUSALEM

Please deliver following message from War Refugee Board to Mr. I. Benzvi, Chairman Vaad Leumi, Jerusalem:

QUOTE Referring your message July 5 please be informed that grandiose demonstrations are planned for Monday July 31 in all major cities United States. Program of demands in preparation, asking 1: Declaration by US Government that surviving Jews in occupied Europe are under its protection; 2: that Jews segregated and detained in occupied Europe be assimilated civilian internees, enjoying advantages Geneva Convention; 3: that segregated and detained Jews receive food as result assimilation civilian internees; 4: that allied and neutral countries proclaim their readiness admit Jewish refugees with special stress on role of Palestine as haven and Turkey as lifeline of escape; 5: that churches make fullest use all spiritual weapons their disposal to deter criminals and accomplices. A. Leon Kubowitzki, World Jewish Congress, New York. UNQUOTE

July 29, 1944
10:40 a.m.

PARAPHRASE OF TELEGRAM RECEIVED

172

FROM: American Consulate General, Jerusalem
TO: Secretary of State, Washington
DATE: July 29, 1944
NUMBER: 106

CONFIDENTIAL

The following message is for WRB, attention of Israel Melominski from Heshel Frankin and Goldie Myerson.

A letter from L'ev underground which was written a month ago gives horrible details concerning Hungarian Jews deported to Poland. This letter states four trains arrive at Oswiecim daily, consisting of forty-five coaches each containing twelve thousand people to be exterminated. The bombing of Oswiecim and railway transporting Jews is demanded in this letter and particulars of plan are given. Letter states that with large sums thousands may be rescued in various ways. London and Geneva have been asked by us that (one) Red Cross demand repatriation of all deportees; (two) Red Cross be asked whether Hungarian deportations have stopped in fact; (three) authority to supervise existing and future concentration camps be obtained by the Red Cross; and (four) that Red Cross secure permission and instruct their representatives to visit deportees and give them maximum aid. It is urgent that identical requests of the Red Cross be made by the United States. A cable that Hungarian Government is prepared to permit exists of all children under ten years of age is being sent by Silberstein. It is suggested that up to 80,000 such children still alive should be permitted free entry by free countries, and to this end maximum pressure should be brought to bear. In order to procure for them official entry certificates to the Americas and other countries, similar to Palestinian certificates sent from here, immediate contact should be established by you with Hungarian Jews in the United States for the purpose of obtaining addresses of their relatives in Hungary. You are requested to transmit certificates through Swiss Consulates. Although excessive publicity should be avoided in connection with Hungarian declaration, the urging of change in annihilation policy should be continued. Frequent broadcast Poland warning against Nazi's fiendish plan to exterminate remaining Jews while retreating and to ask help of population in hiding Jews, promising to reward those who help and the contrary, has been requested by Anshelroiss. Similar broadcast from the United States is important.

PINKERTON

DCR:EMH 8/3/44

SECRET

CABLE TO AMBASSADOR NORWEB AT LISBON AND DEXTER

There follows the text of a communication received from the Apostolic Delegate, Washington:

QUOTE In further reference to my letter of July 7, 1944, concerning the plight of the Jewish people in Hungary, I am pleased to inform you that I have received another communication on the subject from His Eminence, the Cardinal Secretary of State.

His Eminence states that according to a communication of July 15, 1944, from the Apostolic Nunciature in Budapest, the personal appeal of the Holy Father to Regent Horthy has lead the latter to assume a more determined attitude of opposition to the racial laws. Likewise the members of the Catholic Hierarchy were encouraged to carry on a more intense activity in favor of victims of racial laws.

It seems that the Government of Hungary has now given assurance to His Eminence, Cardinal Seredi, Primate of Hungary, that deportations of Jewish people will cease. The Apostolic Nunciature adds that in fact the whole racial situation is somewhat improved. UNQUOTE

Please advise the Board of any information you may have indicating whether Hungarian authorities are fulfilling assurances above reported.

THIS IS WRB LISBON CABLE NO. 65.

July 29, 1944
10:45 a.m.

CABLE TO LISBON

From War Refugee Board to Norweb

Please deliver the following message to Elisabeth Dexter, 111 rua Marquez de Fronteira, Lisbon, from Raymond B. Bragg, Coordinator of the Unitarian Service Committee:

"208 Cabled Blickenstaff to withdraw from funds on hand twelve percent overhead since September 1, 1943 STOP Remitted 7500 dollars policy adopted re Quaker relations here STOP Seeking immediate action on Tangier"

THIS IS WRB LISBON CABLE NO. 66.

July 29, 1944
2:25 p.m.

FH:lab 7/28/44
mhh

CABLE TO LISBON

From War Refugee Board to Norweb

Please deliver the following message to Dr. Joseph Schwartz, 242 Rua Aurea, Lisbon, from Moses A. Leavitt of the American Jewish Joint Distribution Committee:

"We cabled Saly Mayer on July 26 QUOTE Sternbuch cabled Rabbinical group here that 1,200 Hungarian Rabbis other leaders are now entrained Vienna for deportation. He claims you refused help to save this group and that immediate action may still rescue them by repatriation. He also claims that no understanding has been reached with you for coordination rescue activities despite such report to WRB. Orthodox groups here deeply disturbed by this situation and exerting great pressure on us. We are convinced that you and McClelland are doing everything to rescue as many people as possible, but we are not in position to answer such charges made by Sternbuch. Although we realize that Sternbuch is concerned primarily with Rabbinical groups we are just as interested in rescuing these elements and we hope that every effort is being made to save them and that every possible measure is utilized by you to effect their rescue. Please cable soonest. UNQUOTE Can you ascertain whether this group similar to 1200 to 1700 you reported from Ankara as en route to Spain STOP Urgent you send us soonest as full information as available STOP Remitted \$50,000 to British Passport Control Office Istanbul STOP Accordance your analysis Balkan rescue program for 5700 people we estimate total cost to us would be \$2,060,000 which we authorize STOP View your plan to transfer Resnik to Lisbon shall we still set up \$100,000 revocable credit as you requested"

THIS IS WRB CABLE NO. 64.

July 29, 1944
9:30 a.m.

BJR - 135

PLAIN

Lisbon

Dated July 29, 1944

Rec'd 11:30 p.m.

Secretary of State

Washington.

2352, Twentyninth 1 - p.m.

WEB 128, Unitarian 309 for Edward Cahill from Elisabeth Dexter.

Just heard from Schwartz that Brooks back in Algiers. Have had nothing direct from you or him. Imperative this office be kept advised promptly all plans otherwise serious difficulties may develop. Telegraph full information immediately via WEB.

NORWEB

RTM

BJR - 135

PLAIN

Lisbon

Dated July 29, 1944

Rec'd 11:30 p.m.

Secretary of State

Washington.

2352, Twentyninth 1 - p.m.

WEB 128, Unitarian 309 for Edward Cahill from Elisabeth Dexter.

Just heard from Schwartz that Brooks back in Algiers. Have had nothing direct from you or him. Imperative this office be kept advised promptly all plans otherwise serious difficulties may develop. Telegraph full information immediately via WEB.

NORWEB

BTM

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

July 29, 1944

9 p.m.

AMEMBASSY.

MADRID

2142

Reference your 2479 to Department of July 15.

Childs Tangier cables that telegram from Jewish
Community Budapest indicates Spanish Minister there
not (repeat not) instructed to issue visas. Childs
advises that Tangier Jewish Community requests American
assistance in accelerating issuance of such instructions.
You are authorized and requested to take all
appropriate steps in this regard.

STETTINIUS
(ACTING)
(GLW)

WRB:MMV:GMH WE SE S/CR

SECRET

CABLE TO MINISTER JOHNSON AT STOCKHOLM AND OLSEN

There follows the text of a communication received from the Apostolic Delegate, Washington:

QUOTE In further reference to my letter of July 7, 1944, concerning the plight of the Jewish people in Hungary, I am pleased to inform you that I have received another communication on the subject from His Eminence, the Cardinal Secretary of State.

His Eminence states that according to a communication of July 15, 1944, from the Apostolic Nunciature in Budapest, the personal appeal of the Holy Father to Regent Horthy has lead the latter to assume a more determined attitude of opposition to the racial laws. Likewise the members of the Catholic Hierarchy were encouraged to carry on a more intense activity in favor of victims of racial laws.

It seems that the Government of Hungary has now given assurance to His Eminence, Cardinal Seredi, Primate of Hungary, that deportations of Jewish people will cease. The Apostolic Nunciature adds that in fact the whole racial situation is somewhat improved. UNQUOTE

Please advise the Board of any information you may have indicating whether Hungarian authorities are fulfilling assurances above reported.

THIS IS WRB STOCKHOLM CABLE NO. 63.

July 29, 1944
10:45 a.m.

LSLesser:tmh 7-28-44

Regraded Unclassified

CAHLE TO MINISTER HARRISON AND MCCLELLAND, BERN, SWITZERLAND

Re your 4578 July 18 there is repeated for your information the text of a telegram to the American Embassy at London:

QUOTE From Department, FEA, and War Refugee Board for MEW.

We have been informed by the Legation at Bern of the response made by the International Red Cross Committee to the joint approach made on July 4 by American and British representatives in regard to the possible implementation of the section of the Berle-Foot agreement concerning the distribution of food parcels in concentration camps in enemy Europe (reference Embassy's 5003, June 23, Department's 5013, June 24 and Department's air mail instruction 4234, June 23.)

Our information is substantially the same as that conveyed to MEW in Bern's telegram 2865, July 8, copy of which has been received by Department from the British Embassy, Washington. In addition, however, we are informed that Germans will accept for delivery to concentration camps parcels up to a maximum weight of three kilos only whether containing food or clothing. Moreover, parcels must not bear national Red Cross markings although it appears that IRCC can affix its label to otherwise plain parcels.

It is recognized that the IRCC alternative proposal is substantially the same as the plan they have advanced in the past for effecting delivery of parcels to concentration camps. Obviously this method offers less assurance that the addressees of parcels actually will receive and retain them than would be the case under the plan set forth in the Berle-Foot agreement. IRCC, however, claims to have had very good success in obtaining signed receipts and seems to be satisfied that the addressees actually benefit from the parcels for which they sign receipts.

At this juncture we suggest that the economic warfare considerations which heretofore have precluded us from making packages available to IRCC for distribution under their plan are less controlling than has heretofore been the case. The amount of food which might fall into enemy hands could not affect the outcome of the war nor prolong it and the desperate situation of the people held in these camps makes it increasingly necessary that an effort be made to give them some assistance even though we may not have ironclad guarantees of 100 percent receipt by the intended beneficiaries. We propose, therefore, that blockade authorization be granted for the shipment of 300,000 specially prepared three-kilo food parcels to the IRCC for distribution on a trial basis by it under their plan communicated in telegram 2865, July 8 from British Legation, Bern, to MEW. Transportation, of course, presents a serious problem but we would hope that such parcels could be sent via the northern route which we are attempting to establish for the shipment of prisoner of war supplies.

MRB representative at Geneva has inquired whether usable food items from Christina cargo could be turned over to ICRC for packaging by latter

- 2 -

into three-kilo parcels and forwarding under above-mentioned plan to individual addressees in camps selected by ICRC. If blockade authorities agree in principle to ICRC plan referred to above, we assume that there would be no objection to the utilization of salvaged Christina cargo as proposed by WRB representative. Urgent action required in view of necessity for early consumption these items in order to avoid possible spoilage.

Please present this matter to the Relief-Sub-Committee as soon as possible and endeavor to obtain a favorable reply. UNQUOTE

THIS IS WAR REFUGEE BOARD CABLE NO. 103

10:45 a.m.
July 29, 1944

CABLE TO MINISTER HARRISON AT BERN AND MCCLELLAND

There follows the text of a communication received from the Apostolic Delegate, Washington:

QUOTE In further reference to my letter of July 7, 1944, concerning the plight of the Jewish people in Hungary. I am pleased to inform you that I have received another communication on the subject from His Eminence, the Cardinal Secretary of State.

His Eminence states that according to a communication of July 15, 1944, from the Apostolic Nunciature in Budapest, the personal appeal of the Holy Father to Regent Horthy has lead the latter to assume a more determined attitude of opposition to the racial laws. Likewise the members of the Catholic Hierarchy were encouraged to carry on a more intense activity in favor of victims of racial laws.

It seems that the Government of Hungary has now given assurance to His Eminence, Cardinal Seredi, Primate of Hungary, that deportations of Jewish people will cease. The Apostolic Nunciature adds that in fact the whole racial situation is somewhat improved. UNQUOTE

Please advise the Board of any information you may have indicating whether Hungarian authorities are fulfilling assurances above reported.

THIS IS WRB BERN CABLE NO. 103.

July 29, 1944
10:45 a.m.

LSLesser:tmh 7-28-44

CABLE TO HARRISON, BERN, AND MCCLELLAND FROM WAR REFUGEE BOARD

Reference Legation's 4692 of July 22. For Minister's and McClelland's personal consideration.

On recommendation of WRB, Treasury has authorized remittances of Swiss franc equivalent of \$90,000 by Wilhelmina Fund, \$20,000 by Friends of Luxembourg and \$90,000 by Belgian War Relief Society to Minister Harrison for payment to McClelland.

With respect to Belgian remittance, by means now being investigated, objectives of Belgian project and names of Clement and Krier as disbursing agents of \$90,000 were disclosed to New York Times and formed subject of news item on July 22.

Please discuss with Clement and Krier and advise Board whether under circumstances it is felt they should nominate other disbursing agents. If so, please transmit names and otherwise identify nominees.

THIS IS WRB CABLE NO. 104.

July 29, 1944
2:25 p.m.

FH:lab 7/29/44
mhh

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: July 29, 1944
NUMBER: 4867

CONFIDENTIAL

McClelland sends the following for WEB.

With reference to Department's messages of July 28, No. 2579 and July 16, No. 2417, 6,402,825 Swiss francs received through Swiss National Bank July 20. These funds are being held at the disposal of Saly Mayer, to be withdrawn as required, with his approval. I instructed bank to make first advance of 2 million francs on July 27, which will be used as follows:

1. On instructions Joseph Schwartz for transportation of 761 refugees from Rumania to Palestine, payment of 380,500 francs to account of Wolf Zeevshild & Hollantsche Bank Istanbul in Union Banque Suisse Zurich.
2. Pengoes to be purchased here in Switzerland for relief program (probably to be conducted by ICRC) for Jewish children in Budapest.
4. Additional financing flight endangered Hungarian Jewish refugees to Rumania and Slovakia.

We have requested Saly Mayer to furnish us beforehand with detailed expenditure in connection with Swiss franc equivalent one million dollars, as recommended in numbered paragraph two of Legation's message of July 5, No. 4258. We plan to exercise control usually expected over distributions of monies for rescue and relief work in enemy territory under special license granted Joint Distribution Committee, in case of Swiss franc equivalent \$500,000 to be spent by Saly Mayer with relation to evacuation program from Balkans.

HARRISON

DCR:GPW

8-1-44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATE: July 29, 1944
NUMBER: 4878

CONFIDENTIAL

McClelland sends the following for WRB from Field for Cahill of Unitarian Service Committee.

Reference is made herewith to the Department's July 10 telegram N. 2367.

This is to inform you that equivalent of two thousand dollars has been received and arrangements made to pay full sum to Dolgoff who is still living at the old address according to last report. No information concerning destination of five thousand francs received May 17 and the twenty-six thousand francs received July 3 has reached me as yet. I should appreciate being kept currently advised of purpose of all funds sent by you.

Legation's cable no. 4880 carried appeal today to Unitarian Churches in Hungary through confidential channels.

HARRISON

DCR:EBH
8/1/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: July 29, 1944
NUMBER: 4879

CONFIDENTIAL

Please refer to Legation's messages of July 24, No. 4729, July 18, No. 4599, and Department's message of July 22, No. 2510, in connection with ICRC communique Legation's message of July 29, No. 4896.

HARRISON

DCR:OPW
8/1/44

BJR-107

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

Bern

Dated July 29, 1944

Rec'd 9:42 p.m.

Secretary of State,

Washington.

4880, July 29, 5 p.m.

"As to concession for Switzerland of Unitarian Service Committee set up by American Unitarian Churches for the purpose of giving relief to refugees and other victims of War And oppression without regard to creed or race I urgently appeal to Unitarian Churches of Hungary to devote all their efforts toward putting an end to atrocities now being perpetrated against Hungarian Jews. No true Christian can remain a passive observer of present horrors. Unitarians who have always stood in forefront to fight against intolerance and persecution have a sacred duty to protest and to act. I am informing our central office in Boston of this appeal and am confident that the Unitarian Churches in America will follow with passionate sympathy any positive steps which the brother churches in Hungary may take in response to this plea".

HARRISON

MS-212

PLAIN

Bern

Dated July 29, 1944

Rec'd 4:30 p.m., 30th

Secretary of State,

Washington.

4896 twenty-ninth (SECTION ONE)

On July 18 ICRC published following official communique: "Following steps taken in Budapest by ICRC in Geneva Hungarian authorities have given the committee official assurances that transportation of Jews beyond Hungarian frontiers has ceased and that the ICRC are authorized to furnish relief of Jews who are interned or in forced residence in Hungary. The committee are furthermore empowered to cooperate in the evacuation of all Jewish children under ten years of age who are in possession of visas to reception countries and all Jews in Hungary holding entrance visas to Palestine will receive permission from the authorities to leave for that country."

Bill WRB

HARRISON

RB HTM

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: July 29, 1944
NUMBER: 4899

CONFIDENTIAL

FOR WRB FROM MC CLELLAND

In connection with my message No. 4897 dated July 29 with regard to food parcels, please refer antepenultimate paragraph of LELCS 4578, of July 18.

HARRISON

DCR:OPW
8/1/44

MS-218

PLAIN

Bern

Dated July 29, 1944

Rec'd 4:31 p.m.

Secretary of State,
Washington.

4897, Twenty-ninth

Have recently seen Amcross 296, July 20 containing their recommendations for Liquidation here in Switzerland of salvaged cargo of standard food packages from the CRISTINA. In view increasing improbability that contemplated shipment of 100,000 parcels per month for three months or any part thereof can reach Switzerland due to increasing transportation difficulties if and when Joint Blockade Committee should authorize these shipments I renew our request that exceptional permission be granted to utilize at least part of CRISTINA goods to make up packages for ICRC distribution to concentration camps in Germany and German occupied territory. A decision must be reached in this matter in very near future as salvaged CRISTINA goods will only be fit for consumption up to about the end of September.

HARRISON

RB HTM

LFG

July 29, 1944

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

AMEMBASSY,

ANKARA

667

The following War Refugee Board 86 is for Hirschmann.

The Board is highly pleased with your efforts to increase the refugee movement from Bulgaria referred to in your 1344 of July 22.

For your information an informal memorandum has been given to the Bulgarian Minister at Stockholm through Legation contacts. This memorandum which was prepared along the lines suggested by the Board and of which you were orally advised prior to your departure has apparently been forwarded by courier to the Bulgarian Foreign Office. Meanwhile the American Legation in Stockholm has received an informal reply from the Bulgarian Minister stating substantially the following:

QUOTE Bulgarian actions with respect to Jews have been enforced with leniency and sympathy by all of our Government branches. It is a well known fact even among the Bulgarian Jews that the late King Boris, as well as the head of the Orthodox Church of Bulgaria, have made every effort to insure that Jews were treated with compassion. This is no less true of the general Bulgarian population which has maintained a sympathy for Jews which even today will be readily admitted by the Jews. It is a fact that Jews today are living under circumstances not worse but better than those faced by large group of Bulgarian citizens who have been driven from their homes when they were destroyed by American bombing and who have lost all possessions.

The Government of Bulgaria has never turned a deaf ear to humanitarian considerations or those of tolerance. All Bulgarians are mindful that only through moral integrity can a small nation find strength. No less today than heretofore do we stand ready to give consideration to suggestions for the protection of Jews and other refugee groups, but we insist that those advancing such proposals should themselves be in a position to show leadership in humanitarian principles.

The air forces of the United States have been engaged in acts of great violence and cruelty against defenseless civilian

populations

-2- #667, July 29, 6 p.m. to Ankara

populations in Dounitza, Vratsa, Sofia, Skopje, Velles, Plovdiv and others. A most arbitrary violence has been done to the Chateau of Vrana where the Queen, only recently made a widow, is residing with her two fatherless children of seven and twelve years. The Chateau, which was far removed from any objective of a military nature and even far removed from other habitations, was totally destroyed.

If the people of Bulgaria can be assured that there are people in the United States of such a character who sincerely deplore these outrages and cruelties; if those who control the policies of the powerful American Republic, instead of directing threats, were to give assurances that the destruction and violence of their military leaders would be replaced, and that hereafter there would be no further ruin and slaughter of an innocent civilian population, then it may be said without question that the Government of Bulgaria would be prepared to recognize the moral justification and right of the United States to advance humanitarian pleas, and the Bulgarian population would readily welcome and approve action consistent with such advice.

UNQUOTE

The Board suggested that the Legation consider replying informally to the Bulgarian Minister in the following vein:

QUOTE The problems arising from aerial bombings are not within the province of the War Refugee Board, but in considering such matters informally and objectively one cannot overlook the bombings by forces with which Bulgaria continues to be allied, of such civilian centers as Warsaw, Rotterdam, Belgrade, Amsterdam, London and Coventry. The methodical persecution and oppression of Jews and other helpless civilian minorities as heretofore and presently practiced in German controlled and German allied areas is quite separate and apart and over and above civilian suffering on both sides incident to military action, particularly aerial warfare. This Government has taken the unequivocal position that those responsible for the oppression, persecution, deportation or extermination of such civilian minorities as has been and is being witnessed in Germany, France, the Lowlands, Czechoslovakia, Poland, the Baltic states, the Balkan countries and elsewhere will be punished for their crimes.

UNQUOTE

After quoting the appeal of the Senate Foreign Relations Committee of May 31 to the people of Hungary to protect the Jews, the Board's cable to Minister Johnson continued as follows:

QUOTE The same applies to other Axis countries, including Bulgaria. Those to whom these warnings are applicable have it within their power henceforth so to act with respect to Jews and other helpless civilian minorities as to invite more favorable consideration

-3- #667, July 29, 6 p.m. to Ankara

consideration than their conduct up to now may warrant, and to demonstrate a resurgence of that moral integrity which alone gives nations, large or small, strength.

For your information and guidance, the informal response transmitted in your telegram under reference has, of course, made a very unfavorable impression. Whether the Bulgarian Minister or his principals realize the seriousness with which the American people and Government consider the unspeakable treatment accorded Jews and other minorities by Germany and her satellites seems doubtful. It is likewise doubtful whether they realize the determination of this Government as expressed in the President's statement of March 24 and repeated by implication in the statement above quoted to see to it that those who share the responsibility therefor will be punished. UNQUOTE

STETTINIUS
Acting
(GLW)

ACTING

WRB:MMV:OMH
7/29/44

S/CR

NE

SE

NOE

MEM-230
Distribution of
true reading only by
special arrangement
(SECRET V)

Ankara

193

Dated July 30, 1944

Rec'd 9:30 p.m.

Secretary of State,

Washington.

1944, July 30, 2 p.m.

FOR PHIL WEB FROM HIRSCHMANN

ANKARA NO. 111. SEE WEB 72 ENEMYTEL 606 July 4

6 p.m.

We are now reliably informed that the leader of
the 26 Jews of this group is at liberty in Rumania.
His colleagues in Istanbul infer that if he is free
his entire group is probably also at liberty. The
same colleagues are requesting us to take no action
in the matter.

KELLEY

RR

CABLE TO AMERICAN CONSULATE GENERAL, ISTANBUL

Please deliver following message from War Refugee Board to Mr. Chain Barlas, Pera Palace, Istanbul, Turkey:

QUOTE Kindly cable present weekly quota Turkish family transit visas for Hungary, Rumania, Bulgaria. Received from Bulgarian Jews arrived in Palestine numerous cables complaining that Palestine certificates cannot be utilized because of Turkish policy in granting transit visas. Report also on present situation with regard to crossing Turkish Bulgarian land border. Ehrenpreis informed us of your requests for urgent funds but we understand that JDC has taken care of this matter. Urge you assist and cooperate with Mizzi Bauer, Kadikoj, Mahaud Pasha Kan, who enjoys confidence our Yugoslav Committee. A. Leon Kubowitski, World Jewish Congress, New York. UNQUOTE

July 29, 1944
10:30 a.m.

LSLesser:tmh 7-27-44
mhh

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Moscow (via Army)
TO: Secretary of State, Washington
DATED: July 29, 1944
NUMBER: 6039

CONFIDENTIAL

Reference is made herewith to the Department's telegram of July 23, 1944, No. 1760.

Today I conveyed to Vyshinski my Government's gratitude for the decision of the Soviet Government to increase its subscription to the International Bank of Reconstruction and Development and for the Soviet Delegation's cooperation at the Monetary Conference. It was stated by Vyshinski that he desired to express the Soviet Government's thanks for the friendly relations that had existed between the American and Soviet Delegations and for the courtesies which the Soviet Delegates received.

Harriman

gm; copy
8-3-44

NOT TO BE RE-TRANSMITTEDSECRETCopy No. 11OPTEL No. 246

Information received up to 10 A.M. 29th July 1944.

1. NAVALMediterranean. 21st. A British submarine sank a 500 ton ship off TOULON.2. MILITARYN.W. France Now no continuous German defensive line on front of U.S. breakthrough west of ST. LO. Armoured spearheads thrusting south and southwest have entered COUNTANCES and reached within 2 miles of BAVRAY and VILLEBAUDON and within 1 mile of TESSY SUR VIRE.

No change on 2nd Army front where special tribute has been paid to support given by 83 group RAF during last three days fighting by allowing enemy no respite and by dispersing his counter attacks.

Italy Polish troops have captured SENIGALLIA. Italian troops have occupied MONTECAROTO. Further west Indian troops made progress S.W. of SANSEPOLCRO and British troops captured LORA N.E. of S. GIOVANNI and reached within 1½ miles of EMPOLI.Russia Russians continued their offensive on both sides of DVINSK and about STAULIAI captured BREST LITOVSK where 3 German divisions were encircled and captured PRZEMYSL and JARASLAV.3. AIR OPERATIONSWestern Front 28th. Escorted Fortresses dropped 1430 tons on MERSEBURG Synthetic Oil Plant 80 tons on Aero Engine Works, LEIPZIG, and 56 tons on other targets, results unobserved. Bomber Command obtained good concentrations dropping 572 tons on 2 launching sites. A.E.A.F. attacked railway centres in ROUEN area and MT and rolling stock. Enemy casualties 6:4:4 for loss of 8 heavy bombers and 6 fighters.

28th/29th. Aircraft despatched:- STUTTGART 496 (39 missing) HAMBURG 308 (23 missing); FORET DE NIEPPE 119; Diversionary sweep bomber support etc. 224.

Italy 27th. 954 Allied aircraft (1 missing) attacked transport and other targets in Northern Italy.Rumania 26th/27th. Allied heavy bombers dropped 117 tons on oil refineries PLOESTI and on 28th a further 744 tons on same target. Enemy casualties 11:2:5 for 19 bombers, 4 fighters missing.Greece 28th. Liberators dropped 61 tons on railway centre 75 miles W.N.W. SALONIKA.German Activity During 24 hours ending 6 A.M. 29th, 119 F.B.'s plotted.

NOT TO BE RE TRANSMITTEDSECRETCOPY NO. 1OPTEL No. 2471. NAVAL

Yesterday a British Infantry landing ship in convoy to NORMANDY was damaged by under water explosion S.E. of ISLE OF WIGHT and later sank; Nine Army other ranks and 13 Naval Ratings missing. One of British Trawlers was bombed and sunk in the U.S. Anchorage off NORMANDY; eight survivors picked up. On 25th/26th MTB's off Southern DALMATIAN Islands, sank a large anti-aircraft schooner, three E-boats and two I-boats; 50 German prisoners taken.

2. MILITARY

Normandy Considerable progress along entire U.S. front in face of patchy resistance tending to decrease. Whole coast line between LESSAY and COUTANCES now clear. Armoured columns are thrusting to south and south-west of COUTANCES. VILLEBAUDON has been captured and our troops have reached general line of Rode RIVER SIENNE-VILLEBAUDON-TESSY. East of ST. LO Germans now withdrawing and being rapidly followed up. From 26th to 28th U.S. Forces took more than 7,000 prisoners.

Italy Poles have enlarged their bridgehead over MISA and both they and Italians have repulsed several strong counter attacks. Heavy fighting S.E. and S.W. of FLORENCE; Indian troops have captured EMPOLI.

Russia Russians have made further considerable advances West and North-West of REZEKNE and North of SIAULIAI. South of DEBLIN they have cleared the East bank of the VISTULA and have made further progress West and Northwest of PRZEMYSL and in the LVOV and STANISLOV Sectors.

3. AIR OPERATIONS

Western Front 28th. Coastal Command aircraft probably sank a 500 ton Coaster and severely damaged a 400 ton Trawler off BELLE ILE. A landing craft fully laden with men was sunk off ST. MALO.

Stuttgart 28th. 29th. 1286 tons HE and 329 incendiaries dropped; considerable cloud, bombing considered scattered no assessment possible.

Hamburg 1156 tons H.E. much cloud but some visual identification possible; bombing dispersed among markers and several explosions reported, one of them particularly large. Both bomber forces met considerable fighter activity over GERMANY, seven enemy aircraft claimed destroyed.

Foret de Nieppe 385 tons dropped in two-phase attack. Clear conditions, good visibility, good concentration in both attacks

29th. About 2800 offensive and escort sorties flown. Escort Fortresses and Liberators using pathfinder technique bombed synthetic oil plants MERSEBURG 1260 tons and BREMEN 955 also two airfields in FRANCE 175. Halifaxes and Stirlings bombed flying bomb supply dumps FORET DE NIEPPE. Target mostly hidden by cloud, poor concentration. During armed reconnaissances and similar operations 112 motor transport units, 30 tanks and 25 fuel tanks claimed destroyed. Spitfires sent to attack SERIGNAC Village destroyed most of it. German casualties 38:10:8 in action and 3:0:2 on the ground. Ours 28 missing including 15 Fortresses. 29th/30th. 71 Mosquitoes sent out including 30 to FRANKFURT all returned safely.

Rumania 27th/28th. Wellingtons and Liberators dropped 125 tons on oil refinery BUCHAREST.

German Activity During 24 hours ending 6 A.M. 30th, 134 flying bombs plotted.

Regraded Unclassified

FBM-190

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

Bern

Dated July 30, 1944

Rec'd 9:09 a.m.

Secretary of State,
Washington.

4896, July 30, 9 a.m., (SECTION TWO)

I discussed this whole question with Carl Burckhardt, acting president of ICRC, on July 24 and Committee's communique contains substantially all important points of Hungarian Government's message.

I recommended to Burckhardt that ICRC discuss with Hungarian Government question of raising age limit of children to be evacuated to sixteen years for boys and eighteen years for girls.

ICRC is awaiting detailed confirmatory information from its delegate in Budapest, particularly regarding evidence that ICRC representatives will actually be accorded local permission and practical possibilities carry out such a relief and evacuation program. ICRC has already dispatched one of its delegates from Berlin to Budapest and send three more representatives as soon as possible. This initial delegation will probably include Suzanne Ferriere, ICRC member, as expert for emigration questions, a certain Dr. Fischer, reputedly capable man, former ICRC delegate in Cairo, as head of mission and a third charged with financial and purchasing questions. Definite choice this first mission will be decided in special ICRC meeting this week. Burckhardt intimated that there might be possibility arranging dispatch to Hungary one or two capable Swiss persons as confidential WRB representatives probably attached to ICRC mission.

Will keep you informed this encouraging new turn events.

END OF MESSAGE.

HARRISON

EEC JJM

28

July 31, 1944.

Dear Mr. Cochr:

Your Air Mail letter of July 28 has been received in this office during the Secretary's absence. However, I shall be very glad to bring it to Mr. Morgenthau's attention as soon as he returns to his desk, and meanwhile, I know he would wish me to thank you for writing him as you did.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Mr. Eric Cochr,
Executive Vice-President,
The Fulton National Bank,
Atlanta, Georgia.

GEF/dbs

THE FULTON NATIONAL BANK
ATLANTA, GEORGIA

ERLE COCKE
EXECUTIVE VICE-PRESIDENT

July
28
1944

Dear Mr. Secretary:

Just a note of appreciation for your recent courtesies at Bretton Woods to the undersigned.

I spent the morning with Senator George, and we discussed rather in detail the recent Conference. Upon receipt of copy of final documents, I will prepare for the Senator, at his request, a resume of the points that seemed outstanding to me. I am pleased I can assure you of his interest in making a study of the entire program of the Conference. Should we develop any factors requiring further discussion, I will arrange a conference between the Senator, Harry White, and the undersigned.

Please know of my very great appreciation for the privilege you recently accorded me, and again please accept my thanks for your personal courtesies.

Sincerely yours,

Erle Cocke
Erle Cocke

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

Treasury Department
Division of Monetary Research

201

Date July 31, 1944 19

To: Mr. White

From: Mr. Adler

Friedman's letter on the situation in the Chiang household will be of interest to the Secretary and yourself.

The foreigner's interpretation of the Generalissimo's public denial of his liaison cited on page 3 is way off base. The facts are that Madame Chiang was on very bad terms with the Generalissimo's second son who to get even with her introduced an attractive young lady into the household with results that are now known to all. Furthermore, it is more likely that the public denial was not due to pressure by the Soong family but rather to the Generalissimo's desire to preserve the facade of internal family unity against the outside world. They are absolutely right, however, in pointing out that the event reflects the weakening of the Generalissimo's internal position.

S.A.

COPY

Most Confidential

Letter II

202
HJ
July 6, 1944
Chungking.

Dear Mr. White,

Although I posted a letter to you yesterday, I am writing again this morning because I learned a few facts last night which I believe you would want to know as soon as possible. I got this story from Steele only about 10 minutes or so after it happened since we were having dinner together. (To satisfy Sol's curiosity, those present were A. Steele (correspondent), R. Watts (OWI), J. Service and T. Freeman of Embassy, Col. Barrett and myself.) Steele, our host, arrived breathless with excitement, more than an hour late, and poured out the following story:

That afternoon Moussa (A.P. correspondent) and Steele were invited to the Generalissimo's place. They assumed that they were to be given an interview. When they arrived about 60 other people were present of which two others were present - George Fitch and a Dr. Rapee. Among those present were Dr. T. V. Soong, Sun Fo and Mme. Chiang; among those not present were Mme. Kung and Mme. Sun Yat-sen. Sun Fo sat very close to the Generalissimo.

The Generalissimo then got up and made a speech marked with considerable nervousness and emotion. He had called these people together because their future was tied to his and he wished to speak to them about the rumors that he was having illicit relations with two women and that a son had been born! He felt he had to speak now because Mme. Chiang was leaving for Brazil for reasons of health and he did not want this to be misunderstood. He then scolded those present for not having informed him of these rumors, saying that only one had told him. He knew about these rumors for more than a month. He had been advised against making a public statement on

- 2 -

this but he decided that he wished to do so. His actions and private life were entirely open to public inspection. He then denied all the rumors, offering his constant attendants as witnesses. The rumors were started by the enemies of China for the purpose of discrediting him. He had always led a blameless life and had lead the New Life Movement. Were it not for his personal integrity and moral strength, he could not have led the fight against the Communists and the Japanese. He and his wife were never on anything but the best of terms.

He was a Christian and had always followed the precepts of the Master (Christ or Sun? -I.S.F.). If he was guilty of the things people said of him, then he would be a heretic. This was not so.

In the Political Academy, students were questioning his personal life. Some had said that he himself did not live up to his teachings to live vigorously and work hard. Students were saying that he sat on a sofa and did not go to the office to work. (According to Steele, one of the students in the Academy had actually said this to the Generalissimo himself - I.S.F.) It was true that he sat on a sofa - but that was because he had a wound in his diaphragm and he had to sit in a reclining position. For this reason he did most of his work at home - but everyone knew that he worked hard and for many hours each day.

He knew that Chungking was full of rumors about his personal life which were discrediting him. It was for this reason that he had called his friends together to speak to them. He wished to have the full confidence of his comrades. Were there others present, who wished to speak, if so, they could speak now.

Madame Chiang got up and completely supported the Generalissimo's

- 3 -

contention. They were a model couple, happily married and completely devoted to each other. She had no doubts about the Generalissimo's faithfulness and did not for a moment believe the rumors. She had advised against his making a statement on this matter, but he had convinced her of the wisdom of doing this, etc.

Others (names not given by Steele - I.S.F.) also gave brief testimonials. 2

After the speeches, Mme. Chiang said that these statements were not for publication but should be repeated to friends. Fighting rumor with counter-rumors!

It was the first confessional made by the Generalissimo since the Sian incident in 1936!

Steele, Watts and Col. Barrett indicated that they believed the Generalissimo's denials. Freeman was non-committal, while Service pointed out that these stories had not originated with the Communists or other left-wing groups, but with people very close to the Generalissimo within the Kuomintang. They all seemed to agree that it indicated the weakness of the Generalissimo's position and that he had been forced into making this statement by the combined strength of the Soong family. All agreed it was the best story in China in years and compared it repeatedly with the "Sian" incident. I asked what implications it had for future political developments but no one seemed to have an opinion on this although it seemed to me that the answer to this is one of the most important aspects of the incident if not the most important aspect.

- 4 -

I realize that the above account is very sketchy, but Steele did not give a fuller account. He had taken notes from quick translations made by Vice-Minister of Foreign Affairs Wu and read to us his notes. If a longer and fuller version becomes available, I will send it forward, but thought you would like to have the gist of the story as soon as possible. Can you imagine Roosevelt, or Churchill or Stalin making a similar statement!

Sincerely yours,

Irving

P.S. Steele commented that at one stage the Generalissimo got so excited that he nearly lost his top plate of teeth. If he had, the parallel to the Sian incident would have been complete!

SECRET

JAA
July 13, 1944
Chungking No. 3

Dear Mr. White:

I presume that by the time you receive this letter, the Conference will have ended. There has been considerable discussion here of the Conference and a flock of rumors that the Conference was going to fail. I have done my best to offset these rumors. Was I correct in guessing that the reason why you announced the dead-line of July 19 was to accelerate the reaching of an agreement on the assumption that if you are giving something away and the recipients cannot agree on how to take it, the giver merely has to announce that the gift will not be available after a certain time to guarantee agreement among the recipients?

The situation here seems somewhat more hopeful than it did a week ago, although still uncertain. The Japanese have slackened their drives against Kweilin and other points, but they still retain the initiative and the present comparative lull may only be a prelude to new drives. Wallace's trip has left a trail of rumors, one of which is being used to explain the slowing up of the Japanese drives. The story goes that agreement has finally been reached between China and Russia through the mediation of the U.S. Sinkiang is to be an autonomous area but under the suzerainty of China, the Chinese Communists are to move into the N.E. provinces (Manchuria) and in exchange Russia is to enter the Pacific War. There has been no substantiation of this rumor in any form, but it is interesting that all the Chinese I see are taking the line that things will now get better because a solution of Chinese-

- 2 -

Russian relations has finally been reached, while a week before the same people had been telling me of a secret Jap-Russ. agreement. Militarily, the Chinese go on to say, it has resulted in the Japanese withdrawing those Kwantung army troops now in S.E. China back to the North for the protection of Manchuria, resulting in the present slackening of the Japanese drives. I thought that Cairo was a rumor factory, but Chungking has more new rumors per hour than Cairo per week.

I have gotten a little more information on the story of the Generalissimo's public lecture on his personal life (As I have written to Sol, Mme. Kung and Mme. Chiang have reportedly left for Brazil). The story being spread by Chinese Government officials (sort of the official rumor) is that the Generalissimo's son who is married to a Russian woman fell in love with a Chinese girl. The net effect, shall we say, was the birth of twin sons. The Generalissimo was supposedly so pleased to be the grandfather of 2 sons that he ordered preparations to be made secretly to have one of them live with him. Ergo, you have the explanation for the rumor that one of his illicit affairs resulted in the birth of a son.

Another rumor was that the notorious Chen-Li-fu -- Men of Education -- had submitted his resignation and that a number of prominent Chinese had been asked to take the post but none had dare.

I had an interesting talk the other day with General Ferris, Stilwell's Chief of Staff in Chungking. It is clear that both Ferris and Ambassador Gauss are prepared to take a very strong line on Army expenditures and such things as a billion dollar loan. They are worried, however, that Kung's

- 3 -

frequent visits to the President may result in Kung's convincing the President that increased financial assistance in one form or another would be of help in the present situation. Ferris was very bitter about the British saying that we're only interested in maintaining their eco-position and not in fighting.

I am planning to discuss with the Ambassador the desirability of a trip to Kunming and Chengtu to review the financial situation in these centers. Under any circumstances, however, I will cable the Treasury in advance so that you can make any changes you wish.

I hear that Kung sent a cable to his people telling them that the conference was going satisfactorily and instructing them to carry on in his absence! It is simply amazing how much administrative detail was handled by Dr. Kung. At present, many petty things are being held up pending his return, while even the chauffeurs of the Central Bank refuse to obey orders on the assumption that only Kung can fire them.

The British Ambassador had me up for dinner Sunday night. It was more pleasant than I had expected. The British were very open in their criticism of the Chinese but otherwise non-committal and cagey.

I have written other things to Sol which may be of interest to you. Personally, I am sorry to report that I have not been feeling well. In addition to the usual cold and digestive ills, this damp climate is playing havoc with my sinuses. I am doing my best to stay well or rather to regain good health. I hope that the conference has not been too much of a strain on you. Regards to all

Sincerely yours,

Irving

July 26, 1944 SECRET

Dear Mr. White:

Congratulations on the success of your conference! It has everyone quite agog here since very few actually believed it would be so successful.

Here the situation has been rather quiet lately. The startling news from Germany and the fall of Togo has, of course, considerably increased the talk of early victory and coupled with the fact that the Japanese have chosen for the time being not to continue their drives in Eastern China has seemingly strengthened the position of the Gimo. Thus the Chungking Government seems to have weathered another serious crisis without taking any concrete steps except the Gimo's confession speech and thus has profited most markedly from the strenuous efforts of its Allies. 1/

There is considerable interest here in the negotiations with Kung on Army expenditures and the Ambassador is quite pleased with the strong stand taken by the Treasury. Both the Army and State Department people here, however, seem to be somewhat chagrined at being left out of the negotiations. General Hearn expressed great anxiety lest the Treasury and other negotiating departments in Washington were not being kept up to date on price developments here. With his cooperation in the form of allowing me to use his name, I have been trying to get some concrete data on price trends of those commodities actually purchased by the Army here and will send it to you as soon as I have it worked up.

The other day I had the satisfaction of giving the Embassy some information in the diplomatic field which was new to them. I got the story about Kung's appointment as China's representative in the 4-Power political talks

1/ Please excuse any spots or blus. They are caused by uncontrolled perspiration.

- 2 -

and how he had volunteered for the job, even though it was very hot in August in Washington! My informant was a Jian Chen, Acting Governor of the Central Bank. I immediately gave it to the Embassy and they sent a wire to Washington relaying the information. This morning the Ambassador volunteered the information that he had since heard that Kung was sorry that he had volunteered since the other participants were not going to be of "cabinet rank" and that instead he was suggesting Victor Hu for the job. Incidentally, the Embassy people, particularly the Ambassador, are quite disgusted with the fashion in which H. H. has been going around in the United States, particularly the private railroad train. "Oriental potentate" was the way they described it.

I had an interesting experience which you may also find of interest, particularly as an illustration of how the Army operates. The other day speaking to one of the Generals here, I raised the question of currency policy being followed in the Burma operation. He said he didn't know but was sure that it wasn't important and, as for Japanese issued currencies, they were being ignored. In the meantime, he had called his finance officer and when he came, repeated his opinion to him. The finance officer agreed. About five days later, I met the finance officer at a dinner party, who took me aside to express profuse thanks for the suggestion on Burma currency, since he had written to Delhi as a result of my inquiry and had received a very complimentary letter from his superior in Delhi thanking him for having brought this matter to his attention and telling him that as a result they were going to look into the matter. When I asked this officer whether he was going to tell this to the general, he answered: "Of course not!".

- 3 -

I have written to Sol about other matters which may also be of interest to you. May I conclude by saying that although I am finding my stay here both instructive and interesting, I do hope that by the time you receive this letter, it will only be a matter of a few weeks before I see you again.

Regards to all,

Sincerely yours,

(signed) Irving

(Received August 7, 1944)

Regraded Unclassified

BAS

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

July 31, 1944

RESTRICTED (SC-00)

9 p.m.

AMEMBASSY,
LONDON

6035

From Department, FEA, and WRB for EWD.

We have been informed by the Legation at Bern of the response made by the International Red Cross Committee to the joint approach made on July 4 by American and British representatives in regard to the possible implementation of the section of the Berle-Foot agreement concerning the distribution of food parcels in concentration camps in enemy Europe (reference Embassy's 5003, June 23, Department's 5013, June 24 and Department's air mail instruction 4234, June 26).

Our information is substantially the same as that conveyed to NEW in Bern's telegram 2865, July 8, copy of which has been received by Department from the British Embassy, Washington. In addition, however, we are informed that Germans will accept for delivery to concentration camps parcels up to a maximum weight of three kilos only whether containing food or clothing. Moreover, parcels must not bear national Red Cross markings although it appears that IRCC can affix its label to otherwise plain parcels.

It is recognized that the IRCC alternative proposal is substantially the same as the plan they have advanced in the past for effecting delivery of parcels to concentration camps. Obviously, this method is far less satisfactory on economic warfare grounds than the one set forth in the Berle-Foot agreement, in that it offers considerably less definite assurance that the addressees actually will receive and retain the parcels. IRCC, however, claims to have had very good success in obtaining signed receipts and seems to be satisfied that the addressees actually benefit from the parcels for which they sign receipts.

At this juncture, however, we believe that the economic warfare considerations which heretofore have precluded us from making packages available to IRCC for distribution under their plan should largely be waived, in view of the humanitarian and political considerations involved. The amount of food which might fall into enemy hands could not affect the outcome of the war nor prolong it and the desperate situation of the people held in these camps makes it increasingly necessary that an effort be made to give them some assistance even though we may not have ironclad

guarantees of

-2- #0035, July 31, 9 p.m.; to London

guarantees of 100 percent receipt by the intended beneficiaries. We propose, therefore, that blockade authorization be granted for the shipment of 300,000 specially prepared three-kilo food parcels to the IROC for distribution on a trial basis by it under their plan communicated in telegram 2865, July 8, from British Legation, Bern, to MEW. Transportation, of course, presents a serious problem but we would hope that such parcels could be sent via the northern route which we are attempting to establish for the shipment of prisoner of war supplies.

WRB representative at Geneva has inquired whether usable food items from Christina cargo could be turned over to IROC for packaging by latter into three-kilo parcels and forwarding under above-mentioned plan to individual addressees in camps selected by IROC. If blockade authorities agree in principle to IROC plan referred to above, we assume that there would be no objection to the utilization of salvaged Christina cargo as proposed by WRB representative. Urgent action required in view of necessity for early consumption these items in order to avoid loss by spoilage.

Please present this matter to the Relief Sub-Committee as soon as possible and endeavor to obtain a favorable reply.

STETTINIUS

Acting
(JHK)

SWP:EDK:EEJ 7-28-44 S/CR EH

Approved by Mr. Pehle, WRB, 7/26)
and 7/29

FEA -Approved
S/CR (See letter dated
July 29 attached.)

MJB-259

214
PLAIN
London
Dated July 31, 1944
Rec'd 10 a.m.

Secretary of State,
Washington.

6074, Thirty-first

FOR THE DEPARTMENT AND WAR REFUGEE BOARD.

Tomorrow, Tuesday August 1, Dingle Foot, Parliamentary Secretary of the Ministry of Economic Warfare will answer a question in Parliament asking whether the British Government has knowledge of Admiral Horthy's offer to permit evacuation of Jewish children and whether shipment of food and relief supplies through the blockade will be permitted in the event these children are received by neutral countries. The text of the response he plans to give to the question follows below. Washington may wish to make an announcement along parallel lines. (Reference Department's 6040, July 29).

"Yes, sir. His Majesty's Government have been informed by the International Red Cross of the offer referred to in the question.

"As regards the second part of the question, both H.M.G. and U.S.G. have always been anxious to facilitate the reception in neutral countries both of Jewish children from any part of Axis Europe and also of children from enemy-occupied countries. On a number of occasions, particularly during the past year, assurances have been given to certain neutral governments that if schemes of this kind could be arranged, H.M.G. and U.S.G. would sanction the importation of additional supplies through the blockade over and above the normal blockade quotas which such countries are permitted to receive through our controls. Since receiving the communication from the I.R.C. to which I referred, H.M.G. have informed these governments that our offer of increased imports holds good in this particular case. I understand that a similar assurance has been or is being given by the United States Government."

WINANT

CSB

PLAIN
London
Dated July 31, 1944
Rec'd 7:04 p.m.

215

Secretary of State,
Washington.

6080, Thirty-first

With reference to Embassy's telegram 5982, July 27, following later articles have appeared in London press regarding plight of refugees in Hungary:

MANCHESTER GUARDIAN July 28 covers deputation to Eden reported previous day by TIMES AND NEWS CHRONICLE. Same paper July 29 lists names of members of deputation as follows: Archbishop Canterbury, Chief Rabbi, Lord Perth, representing Archbishop Westminster, Lord Queensborough, D. R. Grenfell, MP. Sir Derris Gunston, MP, Major Hogg, MP, Sir Austin Hudson, MP, Harold Nicholson, MP, Myheanor Rathbone, MP, Wilfrid Roberts, MP, Professor Brodetsky, Lady Carter, Voster Cellanox, Reverend S. W. Hughes, Sir Andrew McFadyean, Reverend Joseph Moffett, representing Moderator of Church of Scotland, Lady Reading, Anthony de Rothschild.

TIMES July 29 carries small article by its diplomatic correspondent reporting that British and American Governments are seriously considering proposals of Northy to alleviate condition of Jews in Hungary.

NEWS CHRONICLE July 29, reports that Washington headquarters of Hebrew Committee of National Liberation has called Churchill proposing that in response to Northy offer British Government should admit Jews from Hungary and Balkans to emergency haven in Palestine. Same article reports protest meeting at Basel of 3000 members of Swiss Socialist Party and workers organizations to denounce German persecution and mass murder of defenseless people.

WIMANT

HTN

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
 TO: Secretary of State, Washington
 DATED: July 31, 1944
 NUMBER: 6087

CONFIDENTIAL

With reference to Department's cable of July 28, No. 8948, the Foreign Office responded cordially to suggestion for joint action to aid departure Jews from Hungary and transit neutral countries. It is pointed out by the Foreign Office that it issued instructions to British Embassy, Washington, recently to inform the Department that with regard to this matter, it is prepared to cooperate. British representatives in neutral countries will likely receive similar instructions along these lines.

Information like that contained in reference cable (with but one exception) has been received by Foreign Office from British Legation, Bern. The exception is that as soon as categories permitted to depart from Hungary have all left, deportations of Jews will be started again by Hungarian Government.

The advisability of asking Turkish Government to announce formally its readiness to waive visa requirements for refugees entering Turkey is questioned by the Foreign Office. The Foreign Office believes that through unofficial and informal leniency of Turkish border guards and authorities, much is being accomplished along this line, that the Government of Turkey is not willing to regularize this situation formally, and that to force it to do so might be disadvantageous.

In connection with issuance of additional Palestine certificates, according to the Foreign Office, this matter must be taken up with Colonial Office and the Foreign Office further says that if preparation of refugees elsewhere for excess Jews admitted to Palestine were hastened, the Colonial Office's reluctance to acquiesce might be decreased. With regard to this same matter, Foreign Office says British Embassy, Washington, has been directed to suggest joint approach to Latin American Governments to Department, with the view of getting them to accept more refugees, and in view of possibility Angola, an approach to Portugal has also been suggested.

The message referred to was considered most encouraging by IGC and they will report as to amount of funds available for transportation and maintenance of refugees arriving in Neutral countries from Hungary as soon as possible.

WINANT

CORRECTION

OMY
Distribution of
true reading only
by special arrange-
ment. (SECRET -W)

July 31, 1944

In telegram number 2335 from Lisbon dated July 28,
5 p.m., reading "FOLLOWING SUMMARY TELEGRAM FROM RESNIK
ANKARA IS JDC 40 WEB 125 FROM PILPEL FROM LEAVITT.",
please change the number of the telegram to read "2335-A"
instead of "2335". Advice from Lisbon.

DIVISION OF COMMUNICATION AND RECORDS

JMS

AIRMAIL

23-789

218

RESTRICTED

Lisbon, July 31, 1944

Subject: Statement regarding claimants to American and
Central American Citizenship, recently Deported
from Vittel.

The Honorable
The Secretary of State
Washington

Sir:

I have the honor to transmit herewith a statement concerning claimants to American and Central American citizenship who were at Vittel in France, most of whom have recently been deported, presumably to Poland.

This statement is the one referred to in Embassy's telegram No. 2345 dated July 28, 1944. It is possible that this information may have reached Washington through London as the individuals who gave it to the Embassy said that they had also given a copy to representatives of the British Embassy as well as to the Poles.

This information came to the Embassy on July 28, through one of its personnel who apparently had been interviewing repatriates on the S.S. DROTNINGHOLM. It was given by a Mrs. Sophie Skjoldh who had previously been living at the Avenida Palace, and a Mrs. Lewis, first name unknown, who both are enroute to England, and it is assumed they are British subjects. This is definitely known in the case of Mrs. Skjoldh who is a British subject of Russian Extraction.

The most important section of the statement is the part to the last paragraph pointing out what might be done to save the lives of those individuals.

In view of this statement, the telegram above referred to was sent. It is possible to approach the Swiss Legation here, asking them to transmit by pouch the statement and the list of names attached to the International Red Cross at Geneva with the request that the International Red Cross see if they can trace these individuals from the information given and make representations to the German government in their behalf. This is, of course, assuming that all or most of the countries of which these individuals claim citizenship have agreed to recognize these claims. It is the understanding of the Embassy that such is the case. The Embassy is awaiting telegraphic reply to its inquiry and will be governed in its actions thereby.

- 2. Air Mail # 789

It is believed that the War Refugee Board will be interested in this despatch and the enclosures and, if the Department perceives no objection, it is requested that copies be transmitted to them.

Respectfully yours,

For the Ambassador:

Charles E. Dickerson, Jr.
First Secretary of Embassy

Enclosures:

Copy of statement of claimants to American and
Central American citizenship with lists.

RCD:ew

Enclosure to Despatch No. 789, dated July 31, 1944, from the Embassy at London.

The people on the following list arrived in the camp of Vittef, part in January 1943 and the rest in May 1943. They are all Jews of Polish origin possessing certificates of citizenship of the various South American States issued by the consulates of the respective States, mainly from Bern.

These certificates were generally given to cover an entire family, without even the detail of names.

In December 1943 all Jews in the camp of Vittef had to give up their identity papers, which were never returned to them. All others British and American internees remained in possession of their papers.

From January 1944 certain families received certificates from a Zionist Organization in Geneva saying that they were on 1-st or 2-d repatriation list for Palestine. But as these had not been ratified by London, they were considered worthless by the German Authorities.

In March nearly all these people were moved at 24 hours notice to a hotel outside the precincts of the camp and deprived of all communications with the camp for a week, until a passage had been constructed. The Commandant assured the Camp Committee that this was purely an internal measure, but added that unless their papers were recognized within a short time, there would all be considered as "Stateless" and sent back to Poland to share the fate of the other Jews there. Messages were sent to Switzerland and also to London to acquaint the powers of the situation.

Mrs. Tamara Schorr was guaranteed of their safety by the Commandant, so it was on her word that they agreed to move. It was as a result of the broken promise that Mrs. Schorr finally committed suicide.

Four weeks later the gate connecting the hotel with the camp was closed and the people told that they were being sent to Drancy, a Jewish sorting camp near Paris - from which regular deportations of French and other Jews were made to Poland. There were 17 attempts at suicide, of which 3 were fatal officially, Mrs. Thompson, head of the British Nursing Service, informed me there were 4 others, but names unknown, the others being transported to hospital. The scenes of panic and despair are undecipherable as also the consequent impression on the camp.

The first transport for Drancy took place on the 18th April and comprised 173 men, women and children including infants in arms. They left in a train with windows boarded. It was subsequently learned that they left Drancy on the 29th April for an unknown destination.

Reconnaissance had meanwhile arrived from Chile, but as yet no news has been received of the subjects.

Four weeks later, on 16th May, the second transport took place, when all except 2 or three families and the absolutely untransportable cases in hospital, of which there were 10, were taken. Thus for example one person, whose both legs were paralyzed in consequence of attempted poisoning, was removed on stretchers, etc., etc.

-2- Enclosure to despatch No. 769, dated July 31, 1944, from the Embassy at Lisbon.

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A fortnight after this 2nd transport, on the 6th of June the Commandant informed the Committee that a collective list for repatriation to Palestine had arrived for the whole group and had been accepted by Berlin, which was now only waiting for the ratification from London. The number of this collective certificate is 438. Up to the moment of our departure from Vittel no such affirmation had been received from London. Shortly after came further news that each South American State had accepted all those papers as bona fide, thus placing their holders on an equal status with any other American Internee. In spite of this, the Commandant said that he had an order from Berlin to deport those yet remaining in Camp, which I believe to have been done about the 16th of July. The Commandant also informed the Committee that they had been sent to Bergen Belsen, a camp to which some 2000 similar cases had been sent in May 1943. But this was proved to be untrue as a transport arrived from there and had never seen them.

The Commandant also said that neither the recognition of the papers nor the certificate for exchange to Palestine would have any validity in the eyes of the German authorities unless an exchange either to Palestine or to South America actually took place. It is therefore essential and most urgent now to find those people, who are probably in some Jewish Camp in Upper Silesia (such as Blyssau, Auschwitz, Sosnowitz, Eastenitz, Fiedorf, Imabuck, Treblinka, Belsce, Trammid, Kencowitz) and to afford them the full protection of the Red Cross and the protecting powers. Also to demand them by name for an exchange against Germans. This is the only way of saving even this handful of lives. The gravity of the situation cannot be exaggerated neither the urgent need for immediate action.

This undersigned have been eye witness of the above events.

List of persons of Jewish origin with nationality certificates from S. American Republics. 1 - departed into Poland in transport No. 1, 2 - departed in 2nd transport. Without number - still in Vittel, but presumed to be deported recently.

#3. Enclosure to despatch No. 789, dated July 31, 1944, from the Embassy at London.

PARAGUAY

Baumanger Kalman 2	Rapaport Sapea 1
" Martin 2	" Malka 1
Baumanger Sell Blum (dead)	" Ryka 1
" Leon Lee 1	" Pola 1
Berglas Chaim Leib 1	" Perla 1
" Rita Banda 1	" David 1
Blumenkopf Aron 1	Rapaport Wolf 1
" Ryka 1	" Pola 1
" Roxia 1	" Miriam 1
Blumank. Wolf 1	" Israel 1
" Krystyna 1	Rapaport Symcha 1
" Helena 1	" Moses 1
Blumank. Nuchin 2	" Gold 1
" Chaya 1	" Israel 1
" Juda Leib 1	" Moses 1
" Stella 1	Rapaport Israel Ryman 1
Brettstein Bernard	" Dvora Malka 1
Eck Natan 2	" Jacob-binnam 1
" Clara 2	" Sapea 1
" Raja 2	Rapaport Gitla 1
Eisenschweig Sayja 1	" Matla 1
" Gina 1	" Estera 1
" Gitla Manam 1	Rapaport Simon 1
Frankel Josef 1	" Ryka 1
" Perla 1	Rapaport Jacob 1
" Mathilde 1	" Ryka 1
" Doris 1	" Abr. Hersen 1
Frankel Alexander 1	" Majer 1
" Teohweh 1	" Isak 1
" Ruth 1	Rapaport Jacob 1
" Perla 1	" Annie 1
" Leib 1	Rapaport Rosa 1
" Pinkus 1	" Sabina 1
Frankel Mendel 1	Rapaport Saul 1
" Rosa 2	" Mina 1
Gehorsan Abraham 2	" Josef 1
" Helena 2	Rottenberg Marcus 1
Geller Konrad 2	" Sara 1
" Erna & baby 1	" Naftali 1
" Stella 2	Rottenberg Rosa 1
Geldberger Henryk 1	" Naftali 1
" Malka 1	" Lasar 1
Keller Frederick 1	" Herman 1
" Halina 1	" Wolf 1
Landau Leib Alexander 1	Rottenberg Beila 1
" Bronislawa Estera 2	" Estera 1
" Jerry 1	" Naftali 1
Jaskowicz Mezek	" Natan 1
" Chana	" Franz 1
" Alma	Rosenblatt Thadee 2
Peznanski Jacob 1	" Gerta 2
" Jenta 2	" Richard 2
" Marion 1	Wingest Abraham 1
Rapaport Aron 1	" Mathilde 1
" Ryka 1	" Rezi 1
Rapaport Aron 1	Wingest Lee 2
" Gerta 1	" Estera 2
" Ryka 1	Wingstein Lee 2
" Rosa 1	

-4- Enclosure to Despatch No. 789, dated July 31, 1944 from the Embassy at Lisbon.

Kuropatka Josef
" Felicia
" Richard
" Henryk
Wolf Sami 1
" Rosa Ruchla 1
" Zygmunt 1
" Leon 1
" Erna 1
Welman Henryk 1
" Chaja - Hena 1
Lieber Josef 1
" Fryneta 1
" Henryk 1
" Frajda 1

GUATEMALA

Osiek Sara 1

ECUADOR

Fleischer Estera 1
Wentland Malka 1
" Judith 1
" Neemi 1
" Adam 1
" Krystyna 1
Tylber Rosalia 1
" Salomea 1
Wicman Estera 1
" Jerzy 1

U. S. A.

Rapaport Aron
" Fejga
" Beila
" Chana
" Benay
Hager Halka
Wachtel Heras
" Luba
" Netty

HONDURAS

Herenstein Abraham 1
" Estera Sara 1
Kacemelsen Ichek 1
" Ewi 1
Kadyes Iocu 2
" Brucha
" Rachail 2
" Aveiva 2
Krytenfrejnd Favid 2
" Ita 2
" Szejndla 2
" Ruchla 2
" Aren 2

Zurawin Adam 2
" Lea & baby
Brinkman Mariam 1
" Jetty 1
" Erica 1
" Helena 1
Schonberg Ella 1
Schonberg Samuel 1
" Estera 1
" Bella 1
" Jerzy
Skosowski Cecilia 2
" Insider 2
" Lucina 2
" Jadwiga 2
Heyman Berek 2
" Cecilia 2
" Stefania 2
" Wladyslaw 2
" Lidia 2
Sseinbaum Lion
" Sophie
Sseinbaum Nehemia
" Gina
Sseinbaum Mayer
Sseinbaum Marian
Sseinbaum Stefan

URUGUAY

PERU

Ajnenstadt Felix 1
" Rosana 1
" Marcell 1
Dudelzak Sulin 1
" Tyxla 1
" Jerzy 1
Dudelzak Rachail 1
" Rachela 1
" Ita 1
" Arcadius 1
Gabbinski Enrice 1
" Helena 1
Goldstein Nachman 1
" Sara 1
" Lea 1
" Szyja 1
Zemz Leon 1
" Cecylia 1
" Bianca 1

NICARAGUA

Ken Felicia
" Jacok
" Peter
" Stefan

Lisowodar Boris 1
" Gypa 1
" Aleksander 1
" Miriam 1
Frucht Amalia 1

CHILE

Franklin Anna 1
" Hermine Rosa 1
Gerlin Eugenia 1

PANAMA

Neuman Fanny

COSTA RICA

Packler Sayja 2
" Stefania 2
" Henryk 2
Lichtman Oskar 1
" Anna Rosalia 1
" Regina 1
Lindenbaum Sonia 1
Mandelbaum Sylvia Helena 1
Natanson Wladyslaw 2
" Stefanie 2
" Jadwiga 2
Reishandler Henryk 1
" Charlotte 1
Wetstajn Mieczyslaw 1
" Stella 1
Schein Isaac 1
Schein Salmon 2
" Kleonara & baby
Schorr Tamara (dead)
Zucker Salomon 2
" Malka 2
" Regina 2
" Bernard 2
Schapu Samson 2
" Brenialawa
Schwarabard Chiel
" Perla
" Martin
Suchestow Ella 1
" Adela 1
Brandel Letty 1

VENEZUELA

Malcowsky Saul 1
" Sara 1
" Maurice 1

BOLIVIA

Spinedal Maria

HAITI

Masynski Leon 1
" Lily 1

HIS-429
Distribution of true
reading only by special

Lisbon
Dated July 31, 1944
Rec'd 9:50 p.m.

Secretary of State,

Washington.

2360, July 31, 6 p.m.

Dexter interviewed Mexican Minister today and he is sympathetic but there appears to be some differences still to be straightened out between Mexican Ministry of Interior and Mexican Foreign Office. This WRB 129 (REURTEL 1819, June 25). He is telegraphing Mexico immediately for complete instructions and in interval lists and procedure being worked out jointly. Minister is convinced need of prompt action.

NORWEB

RR

CONFIDENTIAL

No. 2827

Madrid, Spain, July 31, 1944.

Subject: Transmitting copy and translation of Note Verbale from Ministry of Foreign Affairs concerning resolution approved by Committee on Foreign Affairs of House of Representatives on subject of Nazi persecutions

The Honorable
The Secretary of State,
Washington.

Sir:

With reference to the Embassy's despatch No. 2760 of July 19, 1944 to the Department enclosing, *inter alia*, a copy of the Embassy's Note Verbale No. 2684 of July 3, 1944 transmitting to the Ministry of Foreign Affairs, in accordance with the request of the War Refugee Board contained in the Department's unnumbered circular telegram of June 28, 1944, the text of a resolution unanimously approved on the latter date by the Committee on Foreign Affairs of the House of Representatives expressing the deep concern of that body over the fate of the millions of persons in Hungary and other German controlled areas who stand in imminent danger of persecution and death at the hands of the Nazis, I have the honor to enclose a copy and translation of the Ministry's Note Verbale No. 543 of July 12, 1944 in acknowledgement thereof, in which it is stated that the Ministry has examined the above-mentioned resolution with the greatest interest, and taken due note thereof.

It may be mentioned that the enclosed Note Verbale was not received by the Embassy until this date.

Respectfully yours,

W. Walter Butterworth
Charge d'Affaires ad interim

Enclosure:

Note Verbale, as stated

File No. 800-War Refugee Board
WMB:jf
Original to Department
(For Official machine)

Enclosure to despatch No. 2827 dated July 31, 1944 from W. Walton Butterworth, American Charge d'Affaires ad interim, at Madrid, Spain on subject of Resolutions approved by Committee on Foreign Affairs of House of Representatives on subject of Nazi persecutions.

XXXXXXXXXXXX

COPY

(SEILLO)
MINISTERIO DE ASUNTOS EXTERIORES

Núm. 343
B-1.- 15-E 2

NOTA VERBAL

El Ministerio de Asuntos Exteriores saluda atentamente a la Embajada de los Estados Unidos de America y en contestacion a su Nota No. 2684, de 3 de los corrientes, tiene la honra de manifestarle que ha examinado con el mayor interes la resolucion aprobada por el Consejo de Asuntos Exteriores de la Camara de Representantes, cuya copia se adjuntaba en el referido escrito y de la que se toma la debida nota.

Madrid, 12 de julio de 1944.

A la Embajada de los Estados Unidos de America.-

TRANSLATION

(SEAL)
MINISTRY OF FOREIGN AFFAIRS

No. 343.
B-1.- 15-E 2

NOTE VERBALE

The Ministry of Foreign Affairs presents its compliments to the Embassy of the United States of America and in answer to the latter's Note No. 2684 of July 3, 1944, has the honor to state that it has examined with the greatest interest the resolution approved by the Committee on Foreign Affairs of the House of Representatives, a copy of which was attached to the cited communication and of which due note is taken.

Madrid, July 12, 1944

To the Embassy of the United States of America.-

W/31-

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Madrid
TO: Secretary of State, Washington
DATED: July 31, 1944
NUMBER: 2643

CONFIDENTIAL

We have sent the following cable to London as Number 624 dated July 31. It has also been sent by courier to Lisbon.

Embassy is repeating to you text of its cable of July 24, No. 2567, to Department in immediately following cable. You will see from this cable that approach to Foreign Office in accordance with suggestions in your reference cable has already been made. However, we shall take joint action with British Embassy in making such additional approaches as may be considered wise.

Spanish Government has already authorized issuance of visas to 500 Jewish children in Hungary (whom it is wished to bring to Spanish Morocco for temporary refuge), in response to separate representations on part of Embassy. Furthermore, visas for 1500 Jews referred to in final paragraph of Embassy's No. 2567 have been authorized.

BUTTERWORTH

DCR: GPW

8-2-44

CABLE TO STOCKHOLM

From War Refugee Board to Johnson

Please deliver the following message to Mrs. Elise Ottesen-Jensen, John Ericssonsg. 6, Stockholm, from the International Rescue and Relief Committee:

"ADVISED BY WAR REFUGEE BOARD BY ESTABLISHMENT
STOCKHOLM COMMITTEE FOR RELIEF OF STATELESS REFUGEES
PROPOSE THAT YOU ACCOMPANIED BY BLACHSTEIN FRITZ
NEUFELD AND AUGUST ENDERLE CONFER WITH MR. OLSEN ON
OUR BROADENING RELIEF PROGRAM FOR POLITICAL STATELESS
REFUGEES AND PARTICIPATING IN ABOVE NAMED COMMITTEE STOP
REPORT TO US ON RECOMMENDATIONS AND NEEDS"

THIS IS WRB STOCKHOLM CABLE NO. 64_____.

July 31, 1944
10:30 a.m.

FH:lab 7/29/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: July 31, 1944
NUMBER: 2630

CONFIDENTIAL

FOR McCLELLAND.

There follows the text of a communication received from the Apostolic Delegate, Washington:

QUOTE In further reference to my letter of July 7, 1944, concerning the plight of the Jewish people in Hungary, I am pleased to inform you that I have received another communication on the subject from His Eminence, the Cardinal Secretary of State,

His Eminence states that according to a communication of July 15, 1944, from the Apostolic Nunciature in Budapest, the personal appeal of the Holy Father to Regent Horthy has lead the latter to assume a more determined attitude of opposition to the racial laws. Likewise the members of the Catholic Hierarchy were encouraged to carry on a more intense activity in favor of victims of racial laws.

It seems that the Government of Hungary has now given assurance to His Eminence, Cardinal Seredi, Primate of Hungary, that deportations of Jewish people will cease. The Apostolic Nunciature adds that in fact the whole racial situation is somewhat improved. UNQUOTE

Please advise the Board of any information you may have indicating whether Hungarian authorities are fulfilling assurances above reported.

THIS IS WRB BERN CABLE NO. 103.

STETTINIUS
(Acting)

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: July 31, 1944
NUMBER: 2631

CONFIDENTIAL

FOR McCLELLAND FROM WAR REFUGEE BOARD.

Reference Legation's 4692 of July 22. For Minister's and McClelland's personal consideration.

On recommendation of WRB, Treasury has authorized remittances of Swiss franc equivalent of \$90,000 by Wilhelmina Fund, \$20,000 by Friends of Luxembourg and \$90,000 by Belgian War Relief Society to Minister Harrison for payment to McClelland.

With respect to Belgian remittance, by means now being investigated, objectives of Belgian project and names of Clement and Krier as disbursing agents of \$90,000 were disclosed to New York Times and formed subject of news item on July 22.

Please discuss with Clement and Krier and advise Board whether under circumstances it is felt they should nominate other disbursing agents. If so, please transmit names and otherwise identify nominees.

THIS IS WRB BERN CABLE NO. 104.

STETTINIUS
(Acting)

PARAPHRASE OF TELEGRAM RECEIVED

231

FROM: AMERICAN LEGATION, BERN
TO: Secretary of State, Washington
DATED: July 31, 1944
NUMBER: 4904

SECRET

This message is from McClelland to WRB.

Refer my 3390 of the twenty seventh of May and Department's 1994 of the tenth of June.

During the past few months I have been in close contact with several responsible members of the French "Conseil dela Resistance" and in particular with the head of their relief or "Service Social" section.

In the attempt of the Social Service to keep alive the families of combatants in the Maquis, innocent civilians, executed patriots and of hundreds of thousands of political prisoners in prisons and camps, it has had to take on an ever increasing responsibility.

Such acutely required relief work has been lacking in adequate financing.

The Service Social has had to accomplish its best under this great burden with a mere five million francs a month, in spite of the fact that the minimum budget requirement is twenty million French francs each month, which is four hundred Swiss francs, roughly speaking.

On the twenty fourth of June I contributed two hundred thousand Swiss francs to their budget for an unspecified length of time and since have financed one modest cargo of medical supplies to the southern regions for the relief of civilians, although not falling wholly within WRB's scope of prescribed field of activity. Such contribution was primarily made to mitigate the bitter need of the French themselves and, in small part, to secure the cooperation and good will of the CNR, which is necessary in carrying out successfully any relief operations on behalf of foreign refugees in France. Some other source must furnish financial aid for them. However, I hesitate to continue without specified approval regular support from WRB funds. The Minister, other members of the Legation and myself on the other hand urgently recommend that such aid be continued on undeniable humanitarian, as well as military and political bases. The morale of the civilians is at a low ebb and the work of reorganization at a later date would most assuredly be facilitated by anything which we can do to raise it.

HARRISON

DCR:MED
8-1-44

KEM-331

Restricted

232
PLAIN

Bern

Dated July 31, 1944

Rec'd 4:14 p.m.

Secretary of State,
Washington.

4907, Thirty-first.

Berlin DAD and Budapest PESTER LLOYD 21st feature following propaganda exposition of German anti-Jewish policy by Sunderman before foreign correspondents in connection with Hungarian deportation Jews.

One. Germany concluded from authoritative statements by prominent foreign Jews that Jews of all countries must be considered as forming belligerent anti-German race against which from legal viewpoint Germany is entitled to take protective measures.

Two. Germany implements this right now by isolation Jews in all territories controlled by Reich. Formerly emigration was encouraged and facilitated but attitude emigrated Jews made continuation that policy impossible. Isolation is characterized by introduction yellow star as distinctive mark Jewish race, separation Jews from other elements population and finally their employment in special labor service.

Three. Jews thought fit for labor are first place in large assembly camps where their labor qualifications are determined. Those found unsuitable for work are placed in so-called family ghettos. Those qualified are employed in accordance with their training experience on basis of non-separation married couples. They are assigned to individual enterprises requiring labor organization TODT agriculture et cetera.

Four. Elderly Jews and those who have contributed special services to Germany and other countries are exempted from labor. They with certain numbers of their families are placed in special Jewish community located at Theresienstadt in Protectorate which was visited recently by International Red Cross delegates. Theresienstadt is Jewish administered and labor is not compulsory there. Postal connections with outside world are enjoyed and in June 20,000 food packages were received from Portugal alone. Negotiations are now in course with Red Cross for food packages for other Jews in Germany.

Five. All above facts are fully known to responsible Jewish organizations through world.

HARRISON

HTM

PARAPHRASE OF TELEGRAM RECEIVED

233

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: July 31, 1944
NUMBER: 4923

CONFIDENTIAL

From Liebman Hersch for Jacob Pat Jewish Labor Committee
From McClelland for WRB.

The \$10,000 special emergency fund, (\$5,000 for pej Sach
Albert and \$10,000 for OSE was received gratefully. We have transmitted
OSE and alter 1,000 francs Puder also. Address Angelina Zetlin is
being sought. Bertholet contributes 11,000 francs each month for our
refugees and 5,500 for Puders and once (for his debts) 5,000, since
April. Although moral contact only was established with him, have
seen Siegmund Shoulze, who assists Hungarian refugees now. Please
inform Husky the following information is requested: Salmon born
Austria February 28, 1908; Peskine, Jacques; Honikman; Lejser; Joseph
born November 8, 1907 Warsaw, deported under name of Feldhaendler.

HARRISON

DCR:GPW

8-2-44

CABLE FROM WAR REFUGEE BOARD TO KELLEY FOR HIRSCHMANN, ANKARA, TURKEY

Please refer to your 1365 of July 25 concerning your request to Cretzianu that the Rumanian Government issue without delay thousands of transit visas to Jews in Hungary.

In a recent discussion with the Board, Ambassador Steinhardt suggested the desirability of taking precisely such action. Your initiative on this matter is much appreciated.

You may in your discretion advise Cretzianu of the American Government's hope that the Rumanian Government will do all possible to implement the formal assurance given by the Prime Minister of Rumania to the Rumanian delegate to the ICRC (our 627 of July 11). The Rumanian Government can do so by secretly facilitating the type of admissions referred to in your 1343 of July 22 as well as by granting transit visas. It is hoped that the Rumanian Government will permit Jews to enter and remain temporarily in Rumania even though it may not (repeat not) be possible to evacuate them immediately.

THIS IS WRB CABLE TO ANKARA NO.88_____.

July 31, 1944
10:30 a.m.

EAS
Distribution of ture
reading only by special
arrangement. (SECRET W)

TO BE SENT IN SECRET "W"
July 31, 1944
7 p.m.

AMEMBASSY,
ANKARA

669

The following War Refugee Board cable 88 is for Hirschmann.

Please refer to your 1365 of July 25 concerning your request to Cretzianu that the Rumanian Government issue without delay thousands of transit visas to Jews in Hungary.

In a recent discussion with the Bard, Ambassador Steinhardt suggested the desirability of taking precisely such action. Your initiative on this matter is much appreciated.

You may in your discretion advise Cretzianu of the American Government's hope that the Rumanian Government will do all possible to implement the formal assurance given by the Prime Minister of Rumania to the Rumanian delegate to the ICRC (our 627 of July 11). The Rumanian Government can do so by secretly facilitating the type of admissions referred to in your 1343 of July 22 as well as by granting transit visas. It is hoped that the Rumanian Government will permit Jews to enter and remain temporarily in Rumania even though it may not (repeat not) be possible to evacuate them immediately.

STETTINIUS
Acting
(GLW)

ACTING

WRB:MMV:KG
7/31/44

S/CR NE SE

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

July 31, 1944

8 p.m.

AMEMBASSY,

ANKARA

670

The following War Refugee Board cable 87 is for Hirschmann.

There follows the text of a communication received from
the Apostolic Delegate, Washington:

QUOTE In further reference to my letter of July 7, 1944,
concerning the plight of the Jewish people in Hungary, I am
pleased to inform you that I have received another communi-
cation on the subject from His Eminence, the Cardinal Secretary
of State.

His Eminence states that according to a communication of
July 15, 1944, from the Apostolic Nunciature in Budapest, the
personal appeal of the Holy Father to Regent Horthy has lead
the latter to assume a more determined attitude of opposition
to the racial laws. Likewise the members of the Catholic
Hierarchy were encouraged to carry on a more intense activity
in favor of victims of racial laws.

It seems that the Government of Hungary has now given
assurance to His Eminence, Cardinal Seredi, Primate of
Hungary, that deportations of Jewish people will cease. The
Apostolic Nunciature adds that in fact the whole racial
situation is somewhat improved. UNQUOTE

Please advise the Board of any information you may have
indicating whether Hungarian authorities are fulfilling
assurances above reported.

STETTINIUS
(Acting)
(GLW)

ACTING

WRB:MMV:OMH
7/29/44

NE

SE

S/CR

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara
TO: Secretary of State, Washington
DATED: July 31, 1944
NUMBER: 1395

CONFIDENTIAL

It is believed the War Refugee Board will be interested in the following information.

I was advised this morning by the Secretary General of the Ministry of Foreign Affairs that the Government of Turkey has decided to discontinue the movement of Turkish ships in both the Aegean and Black Seas, for the present, with the following exceptions: certain ships will be permitted to ply between Iskenderun and Mersin, and certain wooden ships will be allowed to transport coal between Istanbul and Zonguldak.

KELLEY

DCR: GPW

8-2-44

UNRESTRICTED

FROM
LONDON
DATED JULY 31, 1944

Secretary of State

Rec'd August 8, 8 am

Washington

A-934, July 31, 1944

For Secretaries of State and Treasury from Taylor.

The Economist, the Statist, and the New Statesman and Nation of July 29 contained comments on the Bretton Woods Conference which are summarized below:

The Economist carries both a leading article on the Conference and a summary of the provisions of the Fund and Bank. The article is devoted principally to an analysis of the questions which should be entertained by the British in considering the ratification of the proposals agreed upon at Bretton Woods.

Viewing the work of the Conference as a whole, the Economist finds the Fund and Bank proposals to "represent a very substantial achievement" despite certain "surface blemishes," notably in the allocation of quotas in which "purely political" jockeying brought some "ludicrous" results - the Russian quota almost as large as that of Britain, the Chinese quota larger than that of France, for example. However, in general, the Economist believes those limitations to be "offset by many reasons for solid satisfaction with the results of the Conference - not the least of which is said to be the "harmonious cooperation of the American and British delegates."

Concerning the changes in the proposals from the form in which they had previously "emerged from American-British negotiation," the Economist notes that both the Fund and the Bank appear to be very little altered, judging from the preliminary summaries of the schemes. The article states, however, that some changes have been made in the Fund as it was conceived in the Joint Statement of last April and declares that "it must be said, in candour, that they are not improvements." Specific mention is made of the provision in the Joint Statement - "which was generally applauded in this country" - "which provided for the rationing of a scarce currency and allowed for the possibility of discrimination against a country which persistently failed to make its currency available in sufficient volume." In addition to the apparent omission of this provision in the final agreement, the Economist points to a second "pro-creditor and anti-debtor" shift, namely the increased charges to be levied against a debtor using funds in excess of its quota. The Economist comments that these changes have "altered the balance of the Fund....not by any means fatally, but to an extent of which notice will have to be taken."

The

The article mentions in passing that it is not possible to tell from the summaries how the Fund will affect the sterling area but states that British opinion will want to know whether the ban on "discriminatory trade practices" would exclude such voluntary agreements as, say, between the United Kingdom and New Zealand "to stabilize expenditure of each in the other's country."

The article also comments in passing that the "time-table" of the Fund needs to be scrutinized. It is suggested that if the Fund is to be put in operation 18 months hence, and the exchange rates fixed by that time, as appears contemplated, the proposal "is hardly practicable."

With reference to the Bank, the Economist states that it has received less public attention but "would appear to raise less contentious issues."

Regarding the Bank as guarantor of loans floated through private channels, the article states that the principle involved is in substance an extension of the League Loan method of the 1920's, "since the guaranties will relate only to interest and service," and asks how many loans are there likely to be which are safe enough to meet the Bank's standards and yet not safe enough to float on their own merits?" It adds: "but whether the scale of operations proves to be large or small, the Bank will....be rendering a service..(and)..will be a most useful long-term adjunct to the short-term functions of the Fund."

In posing the question "Should they (the Fund and Bank) be ratified?" the Economist first draws a distinction between the Agreements from a technical point of view, which are said to be "better, on the whole, than any others to which 44 nations could be brought to agree," and the assumptions underlying them "which need the most careful attention."

"But the assumptions need the most careful examination. The whole structure is based on the assumption that the post-war world will be a place in which the nations will be able to balance their incomings and outgoings within a small margin, without exchange controls on current transactions, without 'discriminatory currency practices' and without more than a very limited power to change the gold values of their currencies. The margin is smaller than might be thought at first sight, for, in practice, it will be the available amount of dollars and gold that will set the limit. The United States quota is \$2,750 million, that of Canada (the

other probable 'hard' currency) is \$300 million; and the Fund will probably start with about \$1,000 million, at most, of gold (other than that subscribed by the United States and Canada). The total of gold and dollars may be about \$4,000 million. Moreover, those are not annual figures, but totals. There was originally a suggestion (not referred to in the summaries) that no country should draw more than a quarter of its quota in any one year. If this provision has been incorporated, the basic assumption is that the balances of payments of the world will, every year, be within \$1,000 million - or \$250 million - of balance. If the provision has not been incorporated, the condition cannot be stated with such precision, but will not be substantially different."

This assumption is said to be a "very large" but "not an impossible" one, depending on its fulfillment upon the successful avoidance of unemployment crises, substantial reductions of trade barriers, and appropriate behavior of creditors and debtors. The answer is said to be very much with the United States, its willingness to adopt an effective employment policy and to so greatly increase its purchases abroad, or lending abroad, as to bring its balance of payments into equilibrium. The Economist suggests some indication of the American attitude will be found in the Congressional reception accorded to the proposals and adds "it goes without saying that British action should, in any case, await the action of Congress."

The Economist continues by emphasizing that Britain runs a "risk of ratifying" the Agreements which the United States does not as "the closer the approach to the gold standard - which, in these days, is a dollar standard - the better American interests are served, in prosperity and depression."

The Economist states:

"But Britain is in different case. Even in deepest crisis, Schachtism will never pay this country. But it is in the British interest to be free to make the best of a bad job if a bad job is what has to be faced. And the circumstances of the United Kingdom dictate other methods of making the best of a bad job from the American. If the circumstances of 1931 were to recur, Britain would wish to be able to allow the pound sterling to find its level and to concert measures for stabilising trade within a group to which all countries that would abide by the rules should have access. A Bretton Woods system would not be in the British interest in times of crisis."

British policy is thus said to face a dilemma, the proposals "will confer benefits....if certain optimistic assumptions are fulfilled but....may be....dangerous if the hopes are not realized. On the other hand, to reject them is to surrender once and for all the chance of realizing the hopes on which they are founded." After noting that it is a difficult dilemma, the Economist states that two things are clear: 1. "every effort should be made, as speedily as possible, to consider the questions of 'commercial policy' and 'employment policy';" 2. that "pending this effort, there can be no question of rejecting the Bretton Woods Agreements." Adding that whether the proposals should be accepted unconditionally for immediate application is a matter which should await further development, particularly the trend of U. S. opinion and the U. S. elections.

The Statist comments that in so far as the results of the conference are available they "fully justify the claims of both Mr. Morgenthau and Lord Keynes that the Conference has been an outstanding and unprecedented success."

Commenting on the prospects of ratification of the proposals, the Statist remarks:

"It is probable that the experts' proposals will have a relatively easy passage when the time comes to give legal effect to them in this country, and the same may fairly safely be said with regard to Empire countries. But it would be folly to ignore the fact that although the United States are, so to speak, co-authors of the plans with ourselves, there exists in the republic a large and influential body of thought hostile to the idea of American financial commitments abroad....It may be guessed, however, that having in due course registered their protests, and perhaps securing some modification of the agreements, they will accept the projects."

The article suggests, in passing, that it is "a trifle optimistic" to assume that formal acceptance of the proposals will be attained by the end of 1946, particularly in view of the monetary problems faced by the occupied countries.

Lord Keynes' remarks on the desirability of developing the backward industrial countries and promoting a general increase in the world standard of living are seconded by the Statist, and it is urged therefore that "no time be lost in establishing the new Bank."

The article closes with the statement:

"In retrospect, the Bretton Woods agreement (assuming that it will be generally ratified) represents the foundation-stone of the brave new building which was sketched some three years ago by the architects of the Atlantic Charter. It is time to proceed with further construction. The monetary agreements are specifically designed to remove exchange restrictions, to raise standards of living, to promote expansionism in the widest sense. In other words, they aim at a maximisation of international traffic of all kinds. It is clear that the ideal international monetary machine can easily be sabotaged by unintelligent fiscal devices. When is a real start to be made in revising trade treaties and tariffs - in the downward direction?"

The New Statesman and Nation carries only a brief note on the Conference which ends with the comment:

"In general it seems that the British delegates have not had to sign away any principle vital to Great Britain, and the two plans, though too small in scale, can be welcomed as living, on the whole, and auspicious start to post-war financial collaboration."

WINANT



DEPARTMENT OF STATE
WASHINGTON

July 31, 1944.

Dear Henry:

I am enclosing a copy of the telegram to Moscow which quotes the text of the press statement with reference to the increase in the Soviet's subscription to the Bank and a paraphrase of the telegram which went to Ambassador Harriman from me.

Sincerely yours,

John E. Johnson
Assistant Secretary

FOR DEFENSE The Honorable



Henry Morgenthau, Jr.,

Secretary of the Treasury,
Washington, D.C.

COPY

US URGENT

AMEMBASSY

MOSCOW

1759

RESTRICTED

July 23, 1944

1 a.m.

Secretary Morgenthau issued the following press statement at Bretton Woods last evening:

QUOTE I have just received word that the Soviet Union has decided to increase its subscription to the International Bank for Reconstruction and Development from the \$900,000,000 (nine hundred million) originally agreed upon to the amount of \$1,200,000,000 (one billion two hundred million). By this step the Soviet Union has carried even further its collaboration toward the success of this conference and toward assuring international collaboration in solving the post-war problems of the world. The solution of these future problems will have the inestimable support of the USSR. Gentlemen, the announcement which you have heard tonight is in my estimation one which is fraught with more significance and more hopeful meaning to the future of the world than any which those of us here have ever heard so far. UNQUOTE

HULL

EE:ED
S:FED:DFB

PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, Moscow.
FROM: Secretary of State, Washington.
DATED: July 23, 1944, 2 a.m.
NO.: 1760.

FROM ACHESON FOR THE AMBASSADOR.

At the Monetary Conference the Soviet Delegation Chairman announced last night that the Soviet Government had agreed to increase its subscription to the International Bank for Reconstruction and Development to one billion two hundred million dollars from the 900 million dollars originally agreed upon (in this manner the proposal of the American Government for subscriptions for the International Bank was agreed to). The quota granted to the Soviet Union under the stabilization fund agreement was thereby equalled. (Apparently the information you received from Vyshinski as reported in your 2705, July 22, 11 a.m. was the basis for taking this action.)

An appropriate press statement which is quoted in the Department's immediately preceding telegram was issued by Secretary Morgenthau.

You are requested to convey the gratitude of the United States Government to Molotov or other appropriate Soviet official for the Soviet Government's statesmanlike decision in this matter.

HULL

245 -
3
15
SECRET

ECEFP D-31/44
July 31, 1944

SECRET

SUMMARY: REPORT ON REPARATION, RESTITUTION, AND
PROPERTY RIGHTS - GERMANY

I. Interest of the United States in German Reparation.

The problem of German reparation is immediately related to the broader question of a general peace settlement, through which the United Nations hope to attain certain political, economic, and security objectives. While not in itself a major means of achieving these objectives, a reparation program can, depending upon its nature, greatly help or hinder their attainment. This Government has approached the problem of German reparation with a view to reaching a solution which would facilitate the attainment of these objectives. The "direct" interest of the United States in German reparation, i.e. in the amount of reparation which this country may receive, is small. The claims of other nations which have suffered severely from German aggression are direct and substantial. The main concern of this Government with respect to German reparation is that the program aid in the attainment of (or interfere as little as possible with) its ultimate political and security objectives.

Broadly stated, the general economic and political objectives of this Government are as follows:

1. The preservation of peace by a system of collective security and disarmament of the aggressors.
2. The early return to a multilateral system of international trade and finance through the removal of excessive barriers to the movement of goods and funds.
3. The rapid reconstruction and rehabilitation of war-torn areas.
4. With respect to Germany: 1/

a) The

1/ Based on General Objectives of United States Economic Policy with Respect to Germany. (ECEFP D-22/44)

-2-

- a) The control of German economic war potential. This, however, is not assumed to imply a large-scale and permanent impairment of all German industry.
- b) Redress of the balance of the European economy.
- c) The eventual integration of Germany into the world economy.
- d) The establishment of democratic institutions, including a free trade union movement.

II. Need for Special Arrangements for the Immediate Post-Surrender Period.

It is unlikely that agreed decisions regarding all of the basic policy questions can be reached during the immediate post-surrender period. It is essential, however, that a program of restitution and reparation transfers be initiated promptly, both in order to hasten European reconstruction and to avert an undue imposition of European requirements upon the American economy while the war against Japan is still in progress.

In order to bridge this gap, immediate discussions looking toward agreement among the claimant states or, in any event, among the United States, United Kingdom, and Union of Soviet Socialist Republics should be inaugurated. Preliminary agreement must promptly be reached on

1. certain minimum basic principles;
2. an interim reparation organization and the relation of this organization to the machinery of Allied economic control of Germany;
3. the development in advance of the military collapse of Germany of an ad hoc program for reparation deliveries which will meet the immediate needs of claimant countries. Such an advance program is essential to the orderly reconversion of industry and labor to post-war production.

The purpose of such an interim arrangement would be to initiate and develop a large program of restitution and reparation transfers even before the terms of a final agreement had been settled.

A temporary

Regraded Unclassified

-3-

A temporary arrangement of the kind contemplated would remain in effect until a more comprehensive program, based on a final agreement, could be inaugurated.

III. Résumé of Recommendations on the Final Reparation Agreement

The essential elements of the program recommended in the Reparation Report may be summarized as follows:

1. Time Period.

The reparation period should begin as soon as the United Nations have the power to impose economic controls on Germany. It should be limited to a minimum of about five years from its inception but perhaps may have to be extended to ten. Both political and economic considerations emphasize the need for a short reparation period.

The urgent needs of the devastated areas for relief and rehabilitation and the desirability of restoring normally functioning economies in these areas as rapidly as possible demand quick and decisive action. Moreover, unless the United Nations stand ready to exploit fully the opportunity for cooperative action during the early period after the surrender of Germany, it may prove difficult to accomplish the aims of the program.

The one-way movement of goods and services which takes place under reparation is artificial and necessarily different from normal trade. The longer it continues the longer is deferred the full resumption of regular multilateral trade and the desired integration of Germany into the world economy.

From the political point of view, it must be remembered that the humiliation and cost of reparation will almost inevitably be associated in the mind of the German public with the regime in power at the time. For this reason, long-continued reparation would prejudice the establishment of democratic government in Germany and, indirectly, the maintenance of peace.

The collection of substantial reparation from Germany will probably be impossible without fairly

extensive

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extensive controls over the German economy. Since this Government has taken the position that enduring controls of this nature are undesirable ^{1/} the length of the reparation period will need to be correspondingly limited.

It is realized, however, that the countries which have been devastated by Germany will probably demand ~~some~~ longer reparation period. While the long-range objectives of this Government make a five-year period preferable to a longer one, it is conceded that an extension of the period may be necessary. In no event should reparation deliveries continue beyond ten years. In case a period in excess of five years is adopted, deliveries should taper off toward the end of the extended period.

2. Amount of Reparation

In view of the numerous uncertainties surrounding the post-war situation of Germany, no useful purpose would be served in attempting to estimate at this time the amount of reparation Germany will be able to pay. These uncertainties relate especially to the amount of damage to physical plant in Germany, the degree of disorganization or disruption of the country's working force, the nature and extent of economic disarmament, and territorial adjustment.

This much may be stated with confidence, however:

- a) Barring dismemberment or extremes of devastation, Germany will be capable of paying, in absolute terms, a very substantial amount of reparation. This has been made manifest by the proportion of national income devoted by Germany (as well as by other countries) to war purposes.
- b) Large as it may be in absolute terms, the amount recoverable from Germany will, in

all

^{1/} See ECEFP D-22/44, cited, p. 2.

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all probability, be but a small fraction of the total admissible claims, and a much smaller fraction still of the total direct and indirect damage caused by Germany to the claimant countries. It would be highly misleading and dangerous to let the notion gain currency that Germany can be forced to make good all or even a large part of the damage she has wrought.

- c) Reparation deliveries by Germany will be limited both in character and amount by the goods and services the claimant countries are willing and able to take.

Certain general principles regarding the amount of reparation are recommended as follows:

(1) As between the amount, on the one hand, and the time limit on the period of reparation on the other, the time limit should be the governing factor. This means that instead of beginning with the assessment of a definite amount of reparation and adjusting the time period accordingly, the maximum time limit should be defined from the outset and the greatest possible amount of reparation should be collected during that period.

Provision should be made for extending the time period in the event the Allied authorities believe the reparation program is being sabotaged. Conversely, in the event the reparation period is determined to be more than five years, it may be desirable to hold out to the Germans the possibility of reducing the duration of the period by fulfilling their obligations energetically. The decision as to the duration of reparation should be made known to Germany at an appropriate time in the light of political developments.

(2) During the period of reparation the German people should be permitted to retain such part of their production as may be required to maintain a minimum prescribed standard of living. It is

clear

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clear that the execution of such a program will require effective controls over the economic life of the country, perhaps similar to the wartime controls now in force.

During the control period Germany's production will consist of that required:

- a) to maintain the prescribed minimum standard of living.
- b) to furnish such exports as may be necessary to pay for essential German imports.
- c) to furnish reparation.

The composition of German output and the reparation schedule should be so fixed as to utilize all German production above that required for (a) and (b) above.

All foreign exchange proceeds of exports should be utilized by the Allied control authorities to pay for necessary German imports and, if there is any surplus, to provide cash reparation. Imports should be restricted to the amounts necessary to effectuate the above types of German production.

3. Form of Reparation Payments.

The bearing of form of payment on the long-range political and security objectives of this Government is regarded as an important consideration. The most important question that arises in this connection is whether payment should be made predominately in kind or in cash. It is agreed that a policy of requiring payments in kind with allowance for cash payments only in exceptional cases should be adopted.

A. Reparation in Kind.

Payments in kind can be made from the following sources:

- a) Stocks of goods 1/;
- b) Existing capital equipment 1/;
- c) Current production of goods and services;
- d) Direct labor services.

Stocks of raw materials and food above certain minima for German use will, no doubt, be taken immediately from Germany and transferred to the most needy surrounding countries. In regard to other classes of goods to be included in payments in kind, deliveries should consist of the widest possible range of goods needed by the claimant countries. Reparation in kind should include machinery, electrical equipment, and any other types of manufactured goods that Germany is fitted to produce and the claimant countries are willing to accept, as well as coal, fertilizers, chemicals, et cetera. Only in this way can Germany make its maximum contribution to the European recovery.

One major question, however, remains to be answered: To what extent should reparation come out of existing stocks of goods and capital equipment and to what extent out of current production?

This question involves consideration of the following factors:

(1) To

1/ Other than those subject to restitution which would not be credited against reparation.

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(1) To what extent should deliveries be made out of existing stocks of goods and capital equipment for the purpose of satisfying immediate post-surrender needs in the claimant countries?

Deliveries of this nature will necessarily be most important in the early years of the reparation period. The policy of making early deliveries to the claimant countries from existing goods and equipment is desirable because such a policy would make the maximum contribution to reconstruction in Europe at the time when the need is most urgent. This will also help to redress the economic balance in Europe by shifting machinery and equipment from Germany to the surrounding countries. The transfer of equipment, particularly of equipment for capital goods industries, should be subject to the condition that the ability of such equipment to contribute to the net reconstruction of Europe is not thereby seriously impaired.

This policy of taking reparation deliveries in the form of existing goods and equipment might be objected to on the ground that it will have the effect of reducing German productive capacity and will result in a reduction of reparation deliveries below the maximum obtainable over the total reparation period. It is believed that the long-range security objectives and the contribution to immediate reconstruction in the claimant countries outweigh this objection. It is recognized, however, that the great bulk of reparation deliveries over the entire period must come from current production since the reparation which could be derived from the transfer of capital equipment would, in any case, be relatively small compared to that available from current production.

(2) To what extent should German industry be rebuilt and operated for the purpose of maximizing current production for reparation deliveries?

It should be the policy of this Government to maximize reparation deliveries in so far as this is possible without extensive rebuilding of German plant and equipment. This kind of

capital

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capital formation should be kept to a minimum in Germany and should be permitted to the maximum extent in the claimant countries. In general, Germany should be permitted only so much capital expenditure as may be necessary to maintain reparation schedules and the prescribed standard of living. It would be undesirable to leave Germany at the end of the reparation period with plant and equipment much newer and more modern than that of her European neighbors.

Qualifications to this principle would arise in instances such as the following:

- a) In case of extreme devastation of German industry it would be necessary to allow some rebuilding before substantial reparation could be delivered.
- b) A limited quantity of capital equipment of a "bottleneck" nature will have to be provided so as to permit German production to get under way.

It is clear that decisions in regard to capital formation in Germany will depend not only on the extent of destruction but also on the types of plant and equipment destroyed in both Germany and the surrounding countries.

B. Reparation in Cash

Cash payments depend on the commercial policy and the readiness to import of Germany's potential customers. A program of heavy reliance on cash payments is accordingly vulnerable to the same difficulties that plagued the reparation program of the twenties. It will be possible to make use of cash reparation to the extent that a commercial cash market exists for German exports and to the extent that the control authorities decide in exceptional cases to permit such exports to exceed those required to pay for necessary imports. The gold and net foreign exchange assets available to Germany after the restitution program has been completed will be limited.

In a

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In a five-year reparation period there will be relatively little need for cash payment. Cash payment, however, can serve a useful purpose in taking care of exceptional cases and in lending flexibility to the reparation program provided the total volume is kept down to a relatively small figure.

If the period is extended to ten years, it may be desirable to increase the proportion of cash payment in the latter half of the period. With reconstruction substantially complete, the claimant countries will be less needful of German goods. As German resources are released from satisfying the wants of surrounding countries, they can be turned increasingly to the production of export goods for other markets on a commercial basis, thus creating foreign exchange for reparation purposes and beginning the process of reintegrating Germany into the world economy.

Reparation whether paid in kind or in foreign exchange should be strictly related to the export surplus of goods and services actually obtained from Germany. Any significant accumulation of external indebtedness by Germany during the period of reparation transfers is contrary to the objectives of this Government. This precludes both commercialization of reparation through the floatation of new German securities abroad and any other substantial extensions of credit to Germany.

Commercialization or other borrowing would in effect mean the financing of German reparation payments primarily by the United States and Great Britain. The continuance over a long period of years of payments by Germany may well become an internal political issue and thus create repercussions which would interfere with the long-range political and security objectives of this Government. Moreover, at present Germany's credit worthiness is virtually nil. An estimation of Germany's

future

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future credit worthiness cannot well be made until such time as the essential changes in her political and economic structure have begun.

4. Apportionment of Reparation.

It is recommended that the principal basis for the apportionment of reparation among claimant states should be the amount of damage to and loss of non-military property caused by or incident to hostilities.

This basis of admissible claims does not necessarily favor property owners over other classes of claimants such, for example, as those suffering personal injury since reparation payments will be made to governments, not to individuals. Governments may dispose of the proceeds of reparation and make such compensation to their injured nationals as they see fit.

A precise audit of property loss will be impossible. The total of admissible claims will have to be reached on the basis of reasonable estimates as determined by the appropriate Allied authorities.

It is recognized that the relative impact of property losses on different countries may not be accurately reflected by even the most careful computations. The hardships imposed depend on the circumstances surrounding the loss and on the wealth of the country concerned.

As a supplementary basis for the apportionment of reparation it is recommended that occupation costs levied by Germany also be allowed as an admissible claim but at a lower weighting than property losses. Occupation costs for this purpose should include clearing balances built up in Germany during the period of occupation. Some occupied countries have suffered relatively little physical damage but have undergone many other types of injury at the hands of the Nazis. It is felt that it will be difficult to deny the claims of such countries for some compensation.

In recommending the foregoing two bases for reparation claims, it is intended that all other claims should be excluded.

5. Restitution

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5. Restitution and Replacement

The principal recommendations with respect to this subject may be summarized briefly as follows:

- a) In principle there should be an unlimited obligation on Germany to restore identifiable looted property, even though in practice official efforts to locate such property will have to be confined to a limited number of categories.
- b) Restitution should be restricted to identifiable property in existence prior to German occupation. Looted property should be restored to the existing governments of the territories where the property had its situs and not to the former owners individually.
- c) Looted property should be returned in the condition in which it is found. The return of such property should not count as a credit against Germany's reparation obligation nor should it be deducted from the reparation claim of the recipient.
- d) All property transferred to Germany during the period of German occupation (except for current output) should be presumed to have been transferred under duress and accordingly treated as looted property.
- e) The right to restitution is not absolute. The Allied authorities should have the discretionary right to prevent or postpone restitution of vital equipment (such as, e.g., rolling stock) whenever such equipment is deemed essential to assist the revival of a seriously disorganized country.
- f) It has been suggested that, in addition to restitution and reparation, countries having suffered property losses be entitled to "replacement", meaning the receipt of an equivalent piece of property for property lost or destroyed. It is believed that the "replacement" category would be a source of confusion and that it would serve no purpose that could not be served equally well by reparation in kind. It is, therefore, recommended that no claims for replacement be allowed except in the cases of (1) gold and (2) works of art and other cultural treasures, these exceptions being justified by the peculiar importance attached to these categories of goods.

g) Replacement

g) Replacement of gold means that stocks of monetary gold found by the Allied authorities in Germany should be prorated in proportion to gold losses among the Allied countries whose gold stocks were looted. In no case, however, should there be transferred to any country gold in excess of its losses.

6. Labor Services (Tentative)

No final conclusion has been reached on this subject and it is receiving further study. In principle it is agreed that under appropriate conditions and to a limited extent labor services can be a proper and useful form of reparation. The chief problems relate to the method of selection of the laborers, their treatment and length of service, and the valuation of their services.

One suggestion receiving consideration is that there be two classes of laborers, one to consist of extreme Nazis such as members of the Gestapo, S.S., etc., and the other to be recruited, on a voluntary basis if possible, from the general German public. It is contemplated that the former class would receive semi-punitive treatment while the latter would be protected by more or less normal labor standards.

7. Reparation Commission

It is believed that questions of policy such as those discussed in this summary are outside the proper scope of a Reparation Commission. The Commission should be an administrative body whose function, broadly speaking, would be the supervision and management of the program of reparation and restitution. Within the broad limits of policy laid down by the Allied governments, it would be granted wide discretionary powers to determine the amounts of reparation to be paid periodically, to schedule deliveries in kind, to make adjustments in the schedules of payments, to determine whether Germany is complying with the provisions of the reparation settlement, etc.

The Reparation Commission should act in cooperation with the supreme Allied control authorities in Germany, which authorities should have the power to review and veto any of the Commission's acts.

The Commission should consist of representatives of all claimant states, but equal plural votes should be provided for the United States, the United Kingdom and the Union of Soviet Socialist Republics.

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IV. Resumé of Recommendations with Respect to Subjects Closely Related to Reparation

1. Treatment of Property

a) Germany Property Abroad

Each member of the United Nations should reserve the right to retain and dispose of all German property and rights within its territories, and to use the proceeds to pay off reparation claims, and possibly pre-war debts owed by Germany or its nationals to the country in question or to its nationals. The value of property so retained or disposed of, regardless of the claims which it goes to satisfy, should be counted as payment against the reparation claim of the holding country. Germany can be left to compensate its nationals for property so retained.

The problem of obtaining control over German property in neutral countries is a much more difficult one, since from a strictly juridical point of view there is no way of compelling the neutrals to transfer ownership. The matter thus becomes one for treatment on the political level.

b) Allied Property in Germany

The German Government should be required to return to the owners Allied property in Germany or an equivalent in value where such property was sequestered by German authorities or seized in any other manner. Where the property consists of liquid funds, such return should not carry with it the right to transfer the funds out of the country except in accordance with the exchange regulations established by the Allied authorities.

Countries should have the right to present reparation claims for damage to or destruction of property in Germany belonging to them or their nationals.

2. Pre-War Debts and Claims

American citizens have outstanding substantial amounts of pre-war claims against both the German Government and German nationals. These claims consist of short-term, long-term, and commercial obligations. While the problem has

not

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not been thoroughly investigated, it is believed both politically impossible and economically undesirable to leave American creditors of Germany entirely to their own devices in protecting their interests. The matter should receive further study.

It is recommended, however, in view of the urgent need of reparation for reconstruction purposes, that pre-war debts and claims receive a priority below that of reparation.

3. Compensation for Injuries to Persecuted German Minority Groups

It is considered appropriate for several reasons that the German Government be required in some way to compensate the minority groups persecuted by it. The moral basis for such compensation is self-evident. Moreover, it is now recognized that minority baiting and persecution is a potent weapon in the hands of totalitarian demagogues both for gaining political power at home and for spreading anti-democratic doctrines abroad. Finally, it is felt that since Germany was responsible for a situation in which many thousands of former German nationals needed to be rehabilitated or resettled, she should contribute to the solution of that problem and not be permitted to leave the entire burden to the outside world.

The restitution of property located in Germany is, on a number of grounds, regarded as an unsatisfactory answer to the problem:

- a) Most of the individuals involved are either dead or outside the country and many would not find it worthwhile to return in order to regain their property;
- b) Large-scale transfers of funds abroad in full satisfaction of these claims would be out of the question;
- c) The full return of property to members of these groups at a time when the general German public was passing through a period of great difficulty would tend to create strong social tension in Germany.
- d) Lack of proof by claimants, and the varying circumstances under which property was lost or sold, would make the administrative problem of restitution extremely difficult.

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A twofold contribution by Germany is, accordingly, recommended:

(1) Resettlement Aid, i.e. payments in cash or in kind, to an international agency, to aid in the settlement of individuals belonging to persecuted minority groups. Such payments would be akin to reparation, but their amounts would be related to the needs of the resettlement schemes rather than to the property losses of the individuals concerned.

(2) Indemnity for Property Losses. In addition to the foregoing payments, Germany should also be obliged in lieu of restitution, to provide an indemnity, up to some moderate maximum per person, to individuals who have suffered property losses since the inception of the Nazi regime through discriminatory measures. Transfers of such indemnities abroad should be subject to the availability of foreign exchange but should receive a priority equal to that of other reparation payments.

The foregoing recommendations apply to German nationals, or former nationals, situated outside Germany ^{1/} who have been subjected to discriminatory laws by reason of their racial, religious or political status.

While the racial and religious categories are susceptible of fairly precise definition and do not involve unmanageable numbers, a moment's reflection will show that the political category offers formidable difficulties in both respects. In spite of this fact, it is considered both impolitic and unjustifiable to deny compensation to those Germans who have suffered loss because of their political opposition to Nazism while granting it to persons discriminated against on other grounds. The problem of defining the political category so as to keep within reasonable bounds the number included is now receiving further attention.

^{1/} and to stateless persons resident in Germany on or before September 1, 1939.

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Information received up to 10 A.M. 31st July 1944.

1 NAVAL

A 10,000 ton British Transport in convoy to NORMANDY was damaged by mine yesterday. A convoy from NORMANDY was attacked by E-Boats early this morning off BEACHY HEAD: preliminary reports indicate some ships torpedoed.

2. MILITARY

Normandy U.S. troops have captured BREHAL and GAVRAY and their armour is reported to be moving rapidly on AVRANCHES. A British attack which started yesterday morning in the CAUMONT area had made a good southward advance on the right and is approaching the main AVRANCHES-CAEN road.

Italy German resistance continues along northern bank of MISA. Heavy fighting continues for high ground immediately S.W. of FLORENCE. Further left troops of 8th Indian Division have extended the front along the ARNO by capturing a stretch of the railway East of EMPOLI.

Russia Russians have made local advances W. and S.W. of PSKOV and W of DVINSK and are within 25 miles S.E. of JELGAVA. South of KOVNO they have advanced on a 60 mile front to within 35 miles of SUWALKI. Germans claim to have thrown back Russian forces which had crossed the VISTULA S. of DEBLIN. Other Russian advances have been made to ten miles W. of SIEDLCE, 20 miles S.W. of LVOV, 20 miles S.E. of PRZEMSL and 20 miles S.S.W. of STRYJ. The Germans surrounded W. of BREST-LITOVSK have been annihilated.

3. AIR OPERATIONS

Western Front 30th. 693 Bomber Command and A.E.A.F. Bombers sent to attack troops concentrations and strong points in the CAUMONT-VILLIERS BOGAGE area in support of second Army attack dropped 1,910 tons. About 870 fighters flew armed reconnaissances attacking transport etc. in the battle area. Mitchell dropped 107 tons on ammunition dumps N.W. FRANCE and 235 U.S. fighters attacked objectives PARIS area. German casualties 15:0:3. Ours six bombers, seven fighters missing. Eight Mustangs, escorting Beaufighters on reconnaissance, destroyed seven German aircraft off STAVANGER without loss.

Mediterranean 29th. 289 Fighters, (one missing) attacked communications etc. in NORTHERN ITALY and S.E. FRANCE.

Hungary and Yugoslavia 30th. Fortresses and Liberators dropped 374 tons on an aircraft factory 20 miles S. of BUDAPEST, 232 tons on BROD railway centre. 171 tons on an oil refinery and 56 tons on an airfield near BUDAPEST. Enemy casualties 5:1:2 ours six heavy bombers, two fighters missing.

German Activity

During 24 hours ending 6 A.M. 31st. 95 flying bombs plotted.