

Diary

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April 14, 1944
10:52 a.m.

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HMJr: Hello.

William
Clayton: Hello, Henry.

HMJr: Will, you're quite a talker.

C: (Laughs) I had General -- I'm sorry -- I had General Clay on the phone and I had to go over a lot of business with him.

HMJr: (Laughs) Well, I know it's none of my business but I've just been waiting and they told me you were talking to a General and we civilians just have to bow down.

C: (Laughs) Well, when he and I get on the phone we generally have so much to talk about, sometimes it takes thirty minutes.

HMJr: Well, I'll be brief.

C: All right.

HMJr: I have Mr. Olrich here, who is President of....

C: Who is it, Henry?

HMJr: O-l-r-i-c-h.

C: Yeah.

HMJr: President of the Munsingwear of Minneapolis.

C: Oh, yeah.

HMJr: And he is considering and we're considering of possibly getting together -- having him do this Procurement job.

C: Yeah.

HMJr: And he thinks....

C: Do the procurement or the sale?

HMJr: The sales.

C: Yeah.

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HMJr: Just the sales.

C: Yeah.

HMJr: You're right. Thank you for correcting me.
Now, I wondered if you could have a little talk
with him yourself?

C: Certainly, I'd love to.

HMJr: Because I'd like him to....

C: I'd love to.

HMJr:have a look at you and you have a look at
him and then after you have, you might give me
a ring.

C: Fine. Now, is he there, now?

HMJr: He's sitting right here.

C: Well, ask him, Henry, if it would suit him to
come in at 11:30 -- either at 11:30 or 12:00 --
any time between....

HMJr: I think 11:30 because he'd like to get a one
o'clock train.

C: Fine. That will suit me all right.

HMJr: I'll have him at your office at 11:30.

C: Thanks very much.

HMJr: And then after he leaves, if you'd give me a
ring....

C: I certainly will.

HMJr: I thank you.

C: Thank you.

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April 14, 1944
11:44 a.m.

Operator: Go ahead.

HMJr: Hello.

William
Clayton: Hello, Henry, this is Will.

HMJr: Yes.

C: John Sullivan is here. Mr. Olrich just stepped out.

HMJr: Yes.

C: And Mr. Bridgeman is here and we like -- we like this man very much.

HMJr: Good.

C: Are very well impressed with him and he's had, I think, just the kind of experience you need.

HMJr: Good.

C: He looks like a gentleman and a fellow that would give you good service. I think it would be a fine thing if you could get him.

HMJr: Well, I wanted to get your opinion and -- as I value it highly. I got a couple -- the Chairman of our War Bonds for the State of Minnesota is the President of Northwestern Mutual.

C: Yes.

HMJr: And I've got a call in for him now....

C: Yes.

HMJr:because he's one of the leading citizens out there.

C: Of course, I'm just giving you our impressions, our first impressions from a ten-minute talk with him.

HMJr: Well....

C: I just assumed that you would check up on him.

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HMJr: Our first impressions are excellent....

C: Yeah.

HMJr:and I'm going to make all the checks and if they're good, I think I'll take him.

C: Fine. Uh huh. I'd think so.

HMJr: Right.

C: Fine.

HMJr: Thank you.

C: Thank you.

April 14, 1944
3:05 p.m.

DISPOSAL OF SURPLUS PROPERTY

Present: Mr. Sullivan
Mr. O'Connell
Mr. McConnell
Mr. Tickton
Mr. Mack
Mr. Frey
Mrs. Klotz

H.M.JR: Have you had information about Munsingwear?

MRS. KLOTZ: I have a memo.

MR. McCONNELL: I called up Chicago. He repeated just what he said on the memo.

H.M.JR: I gathered from talking to Clayton that he liked Olrich.

(Mrs. Klotz hands the Secretary memorandum from Mr. Gamble, dated April 14, 1944, attached.)

H.M.JR: (Reading) "I talked to both Mr. O. J. Arnold and Mr. Aaron Frank regarding Mr. Olrich." I think Arnold was vice president of the Northwestern Mutual of Minneapolis. "Mr. Arnold's precise words were, 'Mr. Olrich is a high grade, efficient executive; he is a tireless worker, he is especially well known by our leaders in this section of the country; and I don't think the Secretary could pick a better man. His relations with labor are very good and it has helped him and his company to do an outstanding War Bond job. John Pillsbury has been one of his directors and commends him highly.'"

This is the president of Northwestern.

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"Everything that Mr. Frank has heard about Mr. Olrich is good. He wanted to check further, however, and he is wiring me this afternoon about what is revealed from several excellent sources that he wanted to prosecute." That is Aaron Frank of Portland, Oregon. That sounds all right.

(Reading memorandum from Mr. McConnell, dated April 14, 1944, attached.) "Re: Mr. Ernest Olrich, President, Munsingwear, Inc.

"Mr. Gordon Rentschler telephoned Minneapolis and Chicago and reported as follows:

"Mr. Olrich was with Marshall Fields until 1937, when he became President of Munsingwear, Inc. He was originally an accountant. He has a good organization and leaves most of the job of operation to his organization. He is out of town about three-fourths of the time. He is a high-pressure salesman. Selling is the big job in underwear. He is more of a salesman than an executive. He has been acting as the Coordinator for the War Effort in Minnesota. He travels a great deal on a variety of interests. His labor relations have been good.

"He is a top man in his present job, but not the best suited for the job we have in mind." That is for us to decide.

We need a salesman, don't we?

MR. SULLIVAN: I think so.

MR. McCONNELL: I take exception to that.

MR. O'CONNELL: Me too.

H.M.JR: This fellow is an executive.

MR. O'CONNELL: Maybe, but they are two different things as I understand it.

MR. SULLIVAN: The Secretary didn't mean as a salesman, somebody who goes around from door to door. This fellow

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travels a hundred thousand miles a year supervising his own sales force. He knows the problem in the field a lot better than I imagine many executives who sit in the home office three hundred and sixty-five days in the year would know it.

H.M.JR: This fellow has come up through the accounting end. He is not the kind of salesman you are thinking of.

MR. O'CONNELL: But there is a big organization job here.

MR. McCONNELL: He has done well on his organization, Rentschler said, but he leaves it to him now.

H.M.JR: On the other hand, McBain says he is one of the most aggressive fellows he knows. McBain is from Marshall Field's, the man who recommended this fellow. It is through him that we heard about this fellow. If I can get him, I am willing to take a gamble on him.

MR. SULLIVAN: He told me that he realized that this would be a full-time job for more than a year, which is a little stronger statement than he made to you.

H.M.JR: Are we waiting to hear from anybody else?

MRS. KLOTZ: I haven't given you this. (Hands the Secretary memorandum of suggested personnel, attached.)

H.M.JR: I am going to let it simmer over the week end. I will take these things home.

MR. SULLIVAN: Now, Joe and I talked to him about this dollar a year phase of the situation.

H.M.JR: Go ahead, almost-General Counsel.

MR. O'CONNELL: Well, being an almost-General Counsel--

H.M.JR: Listen, I want this fellow now, you know.

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MR. O'CONNELL: I asked for a couple of hours to be sure, because we haven't had a case exactly like this. We did have Robbins and some of these other fellows, but his company is a company which sells stuff to the Procurement Division; and while the general proposition in dollar a year man may work for us so long as there isn't a conflict of interest, even though he gets compensation on a leave of absence basis from the company is all right. I just didn't want to say it is all right until we looked a little further in this case.

H.M.JR: Listen, "Mr. Almost," he is not going to get in on the buying end. I will give you until tomorrow morning.

MR. O'CONNELL: That is all I want.

H.M.JR: These aren't my apples, so I don't have to be so fussy. (Laughter) Don't ever ask him to advise on an OPA ruling for your farm. Boy, what a man. Mrs. Klotz and that man--they had forty-four cents a bushel for twenty-two thousand bushels of apples. And I am the only man in the State of New York, I think, that did it.

MRS. KLOTZ: If we had given you the other advice, you would have been terribly disappointed.

H.M.JR: So, believe me! This is a little special case. (Laughter)

MR. SULLIVAN: We are not looking for justice in this court.

H.M.JR: I am only taking a leaf out of the President's book. He will turn to Biddle and say, "This is very difficult, I want a ruling."

"I don't want to advise you, but think it over."

MR. O'CONNELL: I think it is all right.

H.M.JR: I asked him if he was going to buy anything.

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He said, "No," he didn't want to buy anything.

Is he selling underwear to them?

MR. O'CONNELL: I think they have a very small amount of business with Procurement under Lend-Lease. About sixty percent of all their business is with the Government, but almost entirely with the Services.

H.M.JR: Let me just say this, gentlemen, because this is more important. I have to stop when the Russian Ambassador comes. I have to stop at three twenty-five. I have thought this thing over. Now, let's just say that I could get General Browning, who is Director of Purchase for the Army. Well, it would take an awful fight to get him. I would get all the Services down on me, and the public might say, if somebody wanted to plant a story, "Why does Morgenthau have to take the Director of Service? He says out of one side of the mouth he wants to help the war effort, and out of the other side of his mouth he takes the key men."

That doesn't mean that I wouldn't unhesitatingly get this fellow who is peeling potatoes, who used to be manager for May in Los Angeles, or anybody else, but Browning is, I think, almost too high up, the way I look at it.

MR. McCONNELL: That was an awfully good man that came in today, this fellow Ray Kramer.

H.M.JR: Well, we will see.

MR. McCONNELL: He is only a colonel. There are a lot of those.

H.M.JR: Do you have anything special?

MR. TICKTON: No, I have a lot of different stories on different commodities that add up to the same thing, that every one of these commodities presents a different problem, and all the delays are because they have been

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trying up to now to work out these various problems. But every problem is different, and you can be criticized very much for not going through all the steps they have gone through. I mean, if they didn't go through all the steps, somebody who was campaigning could say, "Well, he didn't try this particular avenue of sale," and, therefore, you are vulnerable.

But the main thing you get by going over their records is that every problem is a headache and every problem is different from the other one that they have handled.

H.M.JR: If I don't get through, they can adjourn this meeting to your office.

MR. SULLIVAN: That is all right. They only have two things.

(Mr. Mack and Mr. Frey enter the conference.)

H.M.JR: Where is Widmann?

MR. SULLIVAN: He had to go to the other coast on a lot of stuff the Army is declaring.

(Captain Kades enters the conference.)

H.M.JR: What are you doing here?

CAPT. KADES: These are some top secret papers. The General wanted me to tell you that he is only delivering them in this way because you requested that top secret papers should be delivered only to you.

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H.M.JR: This is General Hilldring?

MAJOR KADES: Yes. I am sorry to bother you, but--
(Hands Secretary communication of March 28, 1944, from
Messrs. Birley and Cameron of the Combined Secretariat
of the Combined Civil Affairs Committee)

H.M.JR: I requested that?

MAJOR KADES: If you want to designate somebody
else to receive papers like this, it is possible.

H.M.JR: I have four people outside who signed up.

MRS. KLOTZ: We don't open them. When they come
secret like that, we sign for them, but we don't open
envelopes like that - nobody does.

MAJOR KADES: The Joint Chief of Staff has a letter
that says only you or Mr. Bell can sign for these. I
can tell you whom to write to. I have all the informa-
tion from your letter.

H.M.JR: Well, she will call you up.

MAJOR KADES: General Hilldring wanted me to tell
you he is sorry that--

H.M.JR: Who asked for this?

MAJOR KADES: Taylor, sir.

H.M.JR: Did Mrs. Klotz call you? Can Mrs. Klotz
tell you?

MAJOR KADES: Yes.

H.M.JR: Do you want to sit down and give me some
advice?

MAJOR KADES: I am sure you don't need that, sir,
with the General Counsel.

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H.M.JR: O.K., thanks.

MAJOR KADES: Sorry to bother you, but the General wanted me to make it clear that he would rather not have to handle it this way, but as long as you wanted it this way - there must be some misunderstanding.

MRS. KLOTZ: I will look the letter up and call you.

H.M.JR: Good-by.

(Major Kades leaves the conference)

H.M.JR: That he should be a glorified messenger boy!

MRS. KLOTZ: It is crazy! We get this stuff all the time.

H.M.JR: They tell me you have a couple of things - I have been behind all day. I only have ten minutes, so if you don't get through they will adjourn to Mr. Sullivan's office. So go ahead.

MR. SULLIVAN: I think you had better tell them about the cars and your talks with OPA.

MR. MACK: We got in touch with OPA yesterday about revising their existing rationing regulations, so that the passenger cars which we have could go to the workers in those selected industries.

Their reaction was that they are now getting cars under the existing regulations, and that our cars they have classified as 1942, used, which means that those workers - as a matter of fact, anyone in defense work - can get a car that will come from dealers' stock, which has been kept up better than those in the hands of the Army. So that was their immediate reaction. We are still working on it.

H.M.JR: They don't want them?

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MR. MACK: Well, their point is that they think the existing regulations are the best approach to distribution.

H.M.JR: These three thousand would float into the regular pool?

MR. MACK: Yes.

H.M.JR: And just go on under the regulations?

MR. MACK: Yes, sir.

H.M.JR: I won't fight that. They have regulations as to who can get them and who can't?

MR. MACK: That is right - twenty-six classes of people; that is, doctors, and so forth and so on.

MR. O'CONNELL: You have to get a ration coupon. One of us couldn't get one.

MR. MACK: A dealer can't sell a car unless he has a certificate.

H.M.JR: It would go on to existing regulations, instead of having a special set?

MR. MACK: That is right.

MR. SULLIVAN: But the thirty-one hundred wouldn't be restricted to sale to the group we talked about. It would be under existing regulations.

H.M.JR: That is doctors, munitions workers, and so forth?

MR. MACK: That is right.

MR. SULLIVAN: That is right. I think under those a municipality could apply.

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MR. MACK: The States, cities, counties have to get certificates like anybody else.

MR. SULLIVAN: We are going to get a holler from those guys. LaGuardia wrote a bitter protest to Clayton about not getting preferential treatment.

H.M.JR: I will wait for Fiorello to call me. I will go on the air.

My off-hand opinion is, we don't want two sets of regulations, so we will live on the present ones. Throw those three thousand into the common pool. All right, John?

MR. SULLIVAN: Sure. We will hear from Clayton on my letter and make that kind of compromise with them.

MR. MACK: Just one other point on that. RFC has about nine hundred cars which they are holding. We will probably have to go to them to find out how they are distributing their cars.

H.M.JR: Where do they get nine hundred?

MR. MACK: Bought them from dealers who weren't able to carry on, I think, under the Murray-Patman bill.

H.MJR: They are holding theirs?

MR. MACK: Yes, they have been picking them up since August or September of '42.

H.M.JR: The last thing in the world I want is to complicate the poor fellow who wants to get a car, so I say now, if OPA has a set of rules for war workers, we will fit into that group.

MR. SULLIVAN: I think that is much better, Mr. Secretary.

H.M.JR: Anybody object? Carried! All right.

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MR. MACK: Now, the other thing - well, there are two other points; one is giving Federal Government first choice as to property before it is then offered for sale. Now, as to law, Thurman Hill, Chief Counsel - I checked on that - there is a statute which applies to the District of Columbia, and that contemplates offering first to the Federal Government. As to the Federal Government, generally, there is a regulation under Collective Order 9235 which concerns surplus property, and that Executive Order - that regulation, rather - provides an offering shall be first made to the Federal Government; the idea being that the Federal Government shouldn't sell something, and at the same time buy the same thing, which was one of the criticisms, you know, that developed in the Patman hearing - soup plates - they claimed that we sold them and Navy was buying them, and so forth.

H.M.JR: Now, look, if it is an Executive Order - both an Executive Order and a statute, look up the Executive Order and the statute, and will it apply to these automobiles?

MR. MACK: Right. All property.

MR. LYNCH: Under the new Executive Order, Mr. Clayton's order, he has full authority to disregard that.

H.M.JR: Fix me up an Executive Order that I can do it the way I want.

MR. SULLIVAN: I think you should have an opinion first as to whether any change is necessary. That is why I raised the question yesterday morning.

MR. O'CONNELL: I don't think anything in particular is necessary. I think Mr. Clayton has control, except with respect to the District of Columbia.

H.M.JR: Fix up everything with respect to the District of Columbia, so Mr. Mack and I won't go to jail.

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MR. O'CONNELL: It seems to me the more important question is whether or not you want to establish at the moment an invariable rule that you won't take into consideration the needs of other Government agencies.

H.M.JR: Oh, no, I didn't say that yesterday. I just said as to automobiles, and the next thing - whatever we considered. But let's fix up these blankety-blank three thousand automobiles, so they go into common pools and the fellows get them under existing OPA rules.

MR. O'CONNELL: We can do that.

MR. LYNCH: That can be done under a simple direction from Mr. Clayton.

H.M.JR: Fix it up so Mack is satisfied and he and I won't go to jail. Then let's take a look at this District of Columbia and see whether we want to get a statute introduced making it possible - leaving it to Clayton's discretion, or my discretion, or somebody's discretion - there is a bill going through on that, isn't there?

MR. LYNCH: Yes, sir, the Sherman bill, but not much progress has been made.

H.M.JR: Anyway, study that. I am sure if you told Congress here you wanted the District of Columbia to have a lot of cars, and wanted the munitions workers to have them, the bill would go through very easily. I may be wrong.

MR. O'CONNELL: I feel, for almost any ordinary case, we won't need to have legislation. I don't think we need to worry you here.

H.M.JR: How much longer will it take to find out what RFC thinks?

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MR. MACK: Find out this afternoon.

One other thing - this may take a little time - it is a question of deciding who will get what. For example, we have a lot of merchandise that is wanted by a great many people - trucks, for example. They will pay the ceiling price. A hundred people may want the same ten trucks. We are going to run into that. It hasn't been a problem yet.

H.M. JR: Has OPA got any rules?

MR. MACK: Not as to that.

MR. O'CONNELL: Usually handle those things, first come, first served, or have rationing. OPA, of course, hasn't rationed except to a certain extent. They have limits to the extent to which they want to ration. They wouldn't ration whisky, for example.

H.M. JR: I think you had better talk it over in Mr. Sullivan's office. But let's keep things moving, please.

All right.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 14, 1944

TO Secretary Morgenthau
FROM Mr. Gamble

I talked to both Mr. O. J. Arnold and Mr. Aaron Frank regarding Mr. Olrich. Mr. Arnold's precise words were, "Mr. Olrich is a high grade, efficient executive; he is a tireless worker, he is especially well known by our leaders in this section of the country; and I don't think the Secretary could pick a better man. His relations with labor are very good and it has helped him and his company to do an outstanding War Bond job. John Pillsbury has been one of his directors and commends him highly."

Everything that Mr. Frank has heard about Mr. Olrich is good. He wanted to check further, however, and he is wiring me this afternoon about what is revealed from several excellent sources that he wanted to prosecute.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 14, 1944

TO: Secretary Morgenthau

FROM: Mr. Gamble

Supplementing my earlier memorandum concerning Mr. Olrich, Mr. Aaron Frank telephoned me and advised that Mr. Olrich, according to the best information, is a splendid selection for the purpose you have in mind. He formerly worked with Marshall Field in Chicago, and has been with the Munsing Wear Company about five years. He is a large man physically, of excellent presence and address. Among his other attributes, he is supposed to have great ability as a statistician. He is in his mid-forties, popular, conscientious, and hard-driving.

I felt you would like to have this information in your consideration of Mr. Olrich.

(Handwritten signature)

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 14, 1944

TO Secretary Morgenthau

FROM R. E. McConnell

Re: Mr. Ernest Olrich, President,
Munsingwear, Inc.

Mr. Gordon Rentschler telephoned Minneapolis and Chicago and reported as follows:

Mr. Olrich was with Marshall Fields until 1937, when he became President of Munsingwear, Inc. He was originally an accountant. He has a good organization and leaves most of the job of operation to his organization. He is out of town about three-fourths of the time. He is a high-pressure salesman. Selling is the big job in underwear. He is more of a salesman than an executive. He has been acting as the Coordinator for the War Effort in Minnesota. He travels a great deal on a variety of interests. His labor relations have been good.

"He is a top man in his present job, but not the best suited for the job we have in mind."

T. E. M.

April 14, 1944

Secretary Morgenthau**R. E. McConnell**

The following names are submitted as suggestions of merchants not in uniform:

G. R. McDonald - Formerly with Higbee Company in Cleveland, and J. L. Hudson in Detroit; 42-43 years old; \$40,000. Now in W. P. B.

Stanley Phillips - Sales Manager of Cannon Mills.

Don Mitchell - Sylvania Electric Products, Inc., 500 Fifth Avenue, New York.

Royal G. Murray - Was with the English Buying Commission; now at W. P. B. - Republic 7500, Extension 3706; 1028 Connecticut Avenue.

R. F. Stevens - Formerly General Merchandising Manager, Montgomery Ward; knows hard lines; 42; \$30,000; now at W. P. B.

Charles Kellstadt - Sears, Roebuck & Co., Cleveland; 44.

Fred Bantz - J. C. Penny, New York; 48.

Ernest Olrich - President, Munsingwear, Inc.; formerly Treasurer of Marshall Fields.

Riggan Conley - Formerly President, Consolidated Dry Goods; with O. P. A.

Foster Hunt - Export Manager for Nicholson File Co., Providence, Rhode Island.

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Houlder Hudgins - Until recently with W. P. B.; now president of Sloan Bladen, 295 Fifth Avenue, New York.

Harold Hall - Manager of the Drug Products Division, Procter & Gamble Distributing Co., Box 599, Cincinnati, Ohio.

REM:ESD

Secretary Morgenthau

4/11/44

R. E. McConnell

Subject: Surplus Disposal

Herewith is the first assortment of merchants in uniform. I am sure that there are many more that can be located, and I will give them to you in a supplementary memorandum in a few days.

General Albert J. Browning. Formerly president of United Wall Paper. Montgomery Ward. He has been instrumental in setting up Army Post Exchange and Army procurement. I think you know him. He is a top merchant.

Colonel Robert A. Doyle. Formerly president of Orange Crush Company; formerly president of McCreary Stores; formerly with Lord and Taylor. Recently in the office of the Chief of Staff and a close personal friend of General Marshall. He is about 50. According to Lindsay Bradford, President of the Farmers Loan and Trust Company, he is very able, very successful, a high grade executive. He is the kind of man that Bradford would like to make his executive vice-president. He was released from active service on March 11. His address is 318 West Superior Street, Chicago. His earning power is \$75,000 a year. He is attracted by the challenge of a tough job. He could be recalled to duty and reassigned.

Colonel John La Due. Stationed at Governor's Island. Formerly president of John David Stores. Salary about \$50,000.

Private Branson. 38 years old. Salary, \$40,000. Formerly manager of May Company of Los Angeles. One of the exceptionally able young men in merchandising. Probably now peeling potatoes in Army camp in California.

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Major J. W. Hubble. Signal Corps. His address is 1250 Sixth Avenue, New York. Formerly sales manager of the Simmons Company. \$30,000. Would be interested in this sort of a job.

Major Earl Cribban. 40-42 yrs. Formerly treasurer of Marshall Field. Now in Renegotiation Section of the War Department.

In civil life:

Walter Baumhoger. President of United Whelan; formerly Vice-president of Montgomery Ward; about 45 yrs.; \$75,000. Outstanding organizer; driver. He can be challenged by a tough job.

Phil Riley. Director of Retail Research Association. About 58 yrs. Retiring in July. Good organizer. Salary, \$50,000. He was a colonel in the Personnel Division during the last war. He is a top merchandising man, well acquainted with markets.

REM:CDA 4/11/44

April 14, 1944

Secretary Morgenthau

R. E. McConnell

Additional personnel with merchandising ability -
in uniform:

Lt. Com. W. H. Bingham - Former Vice President of Macy's, now attached to the Aviation Supply Office, Philadelphia 11, Pennsylvania.

Col. E. F. Jeffe - Formerly engaged in merchandising electric appliances, now with the W. P. B., Room 5055 Social Security Building, Washington, D. C.

Col. Ray Cramer - Formerly President of Postal Telegraph; prior to that time a merchant; knows merchandising.

Lt. Col. Charles Helser - A. S. F. Headquarters; 38-40; \$40,000; Meyer and Frank, Portland Oregon; Merchandise Manager at Gimbel Bros., New York; knows wood furniture and household supplies; a top merchandiser, especially on home furnishings; endorsed by Grant Simmons, President, Simmons Company.

Col. Ralph Hart - In the Signal Corps under Bill Harrison; \$18,000; formerly superintendent of factory operations, but knows merchandising.

Col. Arthur Rogow - Quartermaster Inspection Chief; in New York; formerly ran Boston Sears Roebuck store; \$37,500.

Officers of General Motors and Packard will suggest men familiar with automotive equipment. I have asked General Electric, Westinghouse and Western Electric to suggest merchandisers of electrical equipment. I have asked Gordon Rentschler to suggest hardware officers. Bob Gates, President of the American Society of Mechanical Engineers, will give us a list of machinery distributors.

REM:ESD

April 14, 1944

Secretary Morgenthau

R. E. McConnell

10:

Colonel Raymond C. Kramer

A further check on Colonel Kramer is extremely good, although it may be difficult to get the War Department to release him.

He started with Amos Parish, Consultants to merchandising companies; was also with E. Gerli, raw silk merchants. Chairman of the Board and substantial stockholder in Belding Hemingway Co., the largest business in threads and textiles; on Executive Committee of Gimbel Brothers and Allied Stores; Chairman of the Board of Interstate Department Stores; Director of Commercial Mackay, American Cable and Radio Corp., T. W. A.; was formerly receiver for Postal Telegraph. He is 43 years old, is most able, and has had excellent business experience. Has been very successful. He is a top administrator and executive, full of good ideas and usually makes them work. In the opinion of some of the people who have worked with him, he would be the best man available in this country for this top job.

He was commissioned as a Major; wanted to see active service; went with General Wilson on Far East Transportation; Chairman of Australian Supply Committee with MacArthur. He is now in this country as an aide with some Australian dignitary.

REM:ESD

27

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HENRY MORGENZHAU

1944 APR 14 PM 6 47

SECY OF THE TREASURY TREAS BLDG WASHDC

REFERRING TO YOUR INQUIRY MY JUDGMENT IS AND THOSE WITH WHOM
I HAVE TALKED AGREE THAT OF THE THREE OLRICH WOULD BE BEST
MAN STOP FEEL HE SHOWED EXCELLENT ORGANIZING ABILITY WHEN WITH
MARSHALL FIELD HERE AND MY FRIENDS IN MINNEAPOLIS SAY HE HAS
AN EXCELLENT RECORD OF ACOMPLISHMENT THERE AND THAT WHILE
HE IS FORCEFUL KNOWS HOW TO GET ALONG IN ORGANIZATIONS STOP
OPINIONS HERE ARE VERY MIXED AS REGARDS GENERAL BROWNING STOP
I SHOULD THINK THE WAR DEPARTMENT COULD GIVE YOU THE BEST
IDEA OF HIS ORGANIZING ABILITY AND ABILITY TO GET ALONG IN
WASHINGTON STOP THE THIRD MAN BAUMARHARGER LIVES IN NEW YORK
AND IS SAID TO HAVE DONE A GOOD JOB IN RUNNING REORGANIZED
UNITED CIGAR STORES STOP YEARS AGO HE WAS AT MONTGOMERY
WARD'S AND MY INFORMANTS WHO KNEW HIM THERE DOUBT HIS ABILITY
TO SATISFACTORILY PERFORM IN THE PROPOSED JOB

EDWARD E BROWN..

644P

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April 14, 1944
3:50 p.m.

Re: ARMY COMMUNICATIONS

Present: Mr. Taylor
Mrs. Klotz

H.M.JR: Major Kades came over today and said I had to have this stuff delivered to me and it was something you asked for and nobody else could have it.

MR. TAYLOR: That is right, sir. These are papers that are currently up for consideration for Civil Affairs and the Army, on which we have worked with them.

H.M.JR: Why do they have to come to me?

MR. TAYLOR: I think that was the earlier arrangement made, sir, about a year ago.

MRS. KLOTZ: This stuff comes over all the time.

H.M.JR: If this was a year ago, I want to have a little fun with General Hilldring. If this is a year old, I want to write him a letter and just kid him. I mean, you get one of these White-men around - "Do you have time for one more thing?"

(Mr. Taylor hands the Secretary communication of March 28, 1944, from Messrs. Birley and Cameron of the Combined Secretariat of the Combined Civil Affairs Committee, which the Secretary reads aloud)

H.M.JR: He says this question of actually giving them the marks is a dead issue. He says that is out.

- 2 -

I tell you, you better go back there and listen.
I wouldn't send that until this First Secretary leaves.

MR. TAYLOR: Very good.

H.M.JR: Because the thing may change again. I
would wait.

WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
WASHINGTON

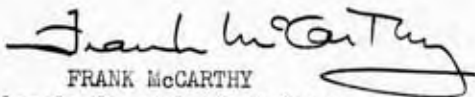
April 14, 1944

MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

Dear Mr. Secretary:

In view of our conversation regarding General Strong a few days ago, I think I had better let you know that, without my realizing it, plans were already well under way to assign the General to the State Department Security Committee. In fact, I understand the State Department had already been notified that General Strong would replace General Bissell on this committee and final action has been taken to complete this assignment.

I regret that I did not have this information at the time of our talk on the telephone.



FRANK McCARTHY
Colonel, General Staff Corps
Secretary, General Staff

TELEGRAM

31

The White House
Washington

APR 14 3 00 PM 1944

MEMORANDUM FOR SECRETARY MORGENTHAU
FROM THE PRESIDENT

I HOPE YOU WILL TAKE UP THE SUBJECT OF YOUR TELEGRAM OF
APRIL THIRTEENTH WITH THE SECRETARY OF STATE.

SECRETARY
MORGENTHAU:

32 ✓
*Draft from which
reading copy was made*

44-14-44

Mrs. Roosevelt and I are happy to be here at this meeting of Government employees, for this group represents the two million Government workers who are investing eleven percent of their pay in War Bonds, through the Payroll Savings Plan.

I am confident that during the Fifth War Loan, which starts June twelfth, the Government employees will do even better than before in buying Bonds .. and Backing the Attack. We ALL must do better - for the financial needs of war are still increasing. Right now, the war is costing us more than seven billion dollars a month.

The men who know the most about this war -- the men who are actually fighting it -- or those who are stationed in isolated spots and know the war for its loneliness and discomfort -- these men do not require much urging to buy Bonds. In January of this year, our Armed Forces were investing forty-one million dollars a month in War Bonds, and this participation is steadily rising. The explanation is simple: these men on the war fronts have had a good chance to appreciate the United States and all it stands for -- and they are ready to invest all they can to protect their homes, their families, the way of life they knew before they went away.

- 2 -

Tonight, Mrs. Roosevelt is here to talk about some of our men who are stationed in the Carribean. Only recently she has seen them and talked with them. The success of our Fifth War Loan is largely dependent upon the people here on the Home Front having a clear understanding of the nature of the War and the sort of life our men on duty are living.

These men know that the war must be fought to a finish -- to a knock-out, not to a decision. And it is up to us back home to keep producing the materials of war, to keep financing the huge costs of war, and to fortify their spirit and their morale. And the Army tells me that one of the best ways we have of convincing our soldiers overseas that we are Backing the Attack is to keep up -- and increase -- our Bond buying.

What Mrs. Roosevelt has to say, coming first-hand from these men away from home, is vitally important.

I am happy to introduce Mrs. Franklin Delano Roosevelt.

4-14-44 34

Sheet corrected
by H. J. -

~~Mrs. Roosevelt~~ and I ^{am} ~~are~~ happy to be here at
this meeting of Government employees, for this group
represents the two million Government workers who are
investing eleven per cent of their pay in War Bonds,
through the Payroll Savings Plan.

I am confident that during the Fifth War Loan,
which starts June twelfth, the Government employees
will do even better than before in buying Bonds ..
and Backing the Attack. We ALL must do better -
for the financial needs of ^{the} war are still increasing.
Right now, the war is costing us more than seven billion
dollars a month.

- 2 -

The men who know the most about this war -- the men who are actually fighting it -- or those who are stationed in isolated spots and know the war for its loneliness and discomfort -- these men do not require much urging to buy Bonds. In January of this year, Our Armed Forces ^{are} ~~were~~ investing forty-one million dollars a month in War Bonds, and this participation is steadily rising. The explanation is simple: These men on the war fronts have had a good chance to appreciate the United States and all it stands for -- and they are ready to invest all they can to protect their homes, their families, the way of life they knew before they went away.

36
Final Draft

4-14-44

I am happy to be here at this meeting of Government employees, for this group represents the two million Government workers who are investing eleven per cent of their pay in War Bonds, through the Payroll Savings Plan.

I am confident that during the Fifth War Loan, which starts June twelfth, the Government employees will do even better than before in buying Bonds .. and Backing the Attack. We ALL must do better - for the financial needs of the war are still increasing. Right now, the war is costing us more than seven billion dollars a month.

- 2 -

The men who know the most about this war -- the men who are actually fighting it -- or those who are stationed in isolated spots and know the war for its loneliness and discomfort -- these men do not require much urging to buy Bonds. Our Armed Forces are investing forty-one million dollars a month in War Bonds, and this participation is steadily rising. The explanation is simple: These men on the war fronts have had a good chance to appreciate the United States and all it stands for -- and they are ready to invest all they can to protect their homes, their families, the way of life they knew before they went away.

- 3 -

These men know that the war must be fought to a finish -- to a knock-out, not to a decision. And it is up to us back home to keep producing the materials of war, to keep financing the huge costs of war, and to fortify their spirit and their morale. And the Army tells me that one of the best ways we have of convincing our soldiers overseas that we are Backing the Attack is to keep up -- and increase -- our Bond buying.

-4-

Tonight, Mrs. Roosevelt is here to talk about some of our men who are stationed in the Caribbean. Only recently she has seen them and talked with them. The success of our Fifth War Loan is largely dependent upon the people here on the Home Front having a clear understanding of the nature of the War and the sort of life our men on duty are living.

What Mrs. Roosevelt has to say, coming first-hand from these men away from home, is vitally important.

I am happy to introduce Mrs. Franklin Delano Roosevelt.

April 14, 1944

Secretary's introduction of Mrs. Roosevelt at the first War Bond Rally of the Fifth War Loan Drive held in the Department of Commerce Auditorium, Washington, D.C.

I am happy to be here at this meeting of Government employees, for this group represents the two million Government workers who are investing eleven per cent of their pay in War Bonds, through the Payroll Savings Plan.

I am confident that during the Fifth War Loan, which starts June twelfth, the Government employees will do even better than before in buying Bonds .. and Backing the Attack. We ALL must do better - for the financial needs of the war are still increasing. Right now, the war is costing us more than seven billion dollars a month.

- 2 -

The men who know the most about this war --
the men who are actually fighting it -- or those who
are stationed in isolated spots and know the war for
its loneliness and discomfort -- these men do not
require much urging to buy Bonds. Our Armed Forces
are investing forty-one million dollars a month in
War Bonds, and this participation is steadily rising.
The explanation is simple: These men on the war fronts
have had a good chance to appreciate the United States
and all it stands for -- and they are ready to invest
all they can to protect their homes, their families,
~~the way of life they knew before they went away.~~
and their future security.

- 3 -

These men know that the war must be fought to a finish -- to a knock-out, not to a decision. And it is up to us back home to keep producing the materials of war, to keep financing the huge costs of war, and to fortify their spirit and their morale. And the Army tells me that one of the best ways we have of convincing our soldiers overseas that we are Backing the Attack is to keep up -- and increase -- our Bond buying.

-4-

Tonight, Mrs. Roosevelt is here to talk about some of our men who are stationed in the Caribbean. Only recently she has seen them and talked with them. The success of our Fifth War Loan is largely dependent upon the people here on the Home Front having a clear understanding of the nature of the War and the sort of life our men on duty are living.

What Mrs. Roosevelt has to say, coming first-hand from these men away from home, is vital important.

I am happy to introduce Mrs. Franklin Delano Roosevelt.

April 14, 1944

Dear Mr. Toscanini:

Mr. Stanton Griffis, Head of the Motion Picture Division of O. W. I., has just shown our people here the splendid motion picture subject made by yourself for their Overseas Branch.

Everyone agreed that the picture was simply magnificent and the suggestion was immediately made that it would make an outstanding attraction for our impending Fifth War Loan Drive. The representatives of O. W. I. are going to contact you and ask your permission to adapt the subject for special War Bond shows during the June drive and we at the Treasury urge you to give serious consideration to this request.

Thanking you for your numerous and cooperative gestures, I am, with all good wishes

Sincerely yours,

(Signed) H. Mergenthau, Jr.

Mr. Arturo Toscanini,
252nd Street and Sycamore Road,
Riverdale, New York.

TRG:ecb

April 14, 1944

Dear Mr. Secretary:

The Army Air Forces, commanded by General Henry H. Arnold, has presented to the Treasury Department a plan for an extensive exhibit in Washington of captured enemy air combat equipment. Features of the exhibit will be the periodical appearance of Army Air Forces personnel returning from the various theaters of war.

The exhibit will constitute a highly effective instrumentality for promoting the sale of War Savings Bonds, especially during the Fifth War Loan Campaign which begins on June 12. Another important contribution to the war effort will be the recruitment of Air WAC's. Officers of the Army Air Forces are convinced that the changing displays to be made available will act as a general morale builder that will be especially effective with respect to employees of the Government.

A central and adequate location for the exhibit is necessary. After a survey, representatives of the Army Air Forces and the Treasury Department are of the opinion that the plot of ground bound by Fourteenth Street on the East and Constitution Avenue on the North, comprising two to three acres of space, is the most desirable area for the purpose. It is my hope that the Department of the Interior will join with the Army Air Forces and the Treasury Department to the extent that you will be good enough to grant permission for the use of that space for a period beginning June 4 and extending through Labor Day, September 4.

-2-

Due to the fact that it will take considerable time to arrange for the appearance of Army Air Forces personnel and to bring to Washington the many pieces of equipment to be displayed, a reply to this request at your early convenience will be deeply appreciated.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Harold L. Ickes,
Secretary of the Interior,
Washington, D. C.

TRG:ecb



April 14, 1944

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

(For your information; no action required)

Attached are the ribbon copy and one mimeographed copy of a confidential tabulation "Principal Provisions of the Revenue Act of 1943 Compared with Prior Law, Treasury Proposals, House Bill, and Senate Bill."

The purpose of this tabulation is to make it readily possible to follow the course of the many provisions of the Revenue Act through their principal stages. It is thought that the tabulation should not be made public since in previous years members of the Congressional Committees have protested the publication of this type of comparison.

Attachments



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CONFIDENTIAL

PRINCIPAL PROVISIONS OF THE REVENUE ACT OF 1943 COMPARED WITH PRIOR LAW,
TREASURY PROPOSALS, HOUSE BILL, AND SENATE BILL

Division of Tax Research, Treasury Department
March 1, 1944

Regraded Unclassified

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Principal provisions of the Revenue Act of 1943 compared with prior law,
Treasury proposals, House bill, and Senate bill

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I. INDIVIDUAL INCOME TAXES

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
VICTORY TAX					
Base, rate, and collection	5% of "Victory tax net income" in excess of \$624. "Victory tax net income" is gross income (excluding capital gains and losses and partially tax-exempt interest) minus deductions for (a) business and trade expenses, (b) other expenses incurred in the production of income, and (c) alimony	Repeal Victory tax, with offsetting changes under the income tax	Repealed Victory tax, substituting a minimum tax and adjustments in the regular income tax	Retained Victory tax with certain modifications but reduced rate to 3%	Same as Senate bill
Credits against Victory tax	The following amounts of tax:	Repeal	Repealed	Repealed	Repeals
Single person		(For 1943, recommended change in Victory tax to accord with the assumption that all postwar credits are taken currently. Adopted in Public Law 178, approved October 28, 1943, providing for automatic current allowance of postwar credits)			
Not head of family	25% or \$500, whichever is less				
Head of family	40% or \$1000, whichever is less				
Estate or trust	25% or \$500, whichever is less				
Married person:					
If separate returns are filed by each spouse	40% or \$500, whichever is less				
If a separate return is filed by one spouse and no return is filed by the other spouse, or if a joint return is filed	40% or \$1000, whichever is less				
For each dependent	2% or \$100, whichever is less				

I. INDIVIDUAL INCOME TAXES (Continued)

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
INCOME TAX					
Rates:					
Normal tax	6%	1/	10%, unless minimum tax applies	Same as prior law	Same as prior law
Surtax (see schedule in Exhibit 1)	13% on first \$2,000 to 82% on excess over \$200,000	21% on first \$500 to 90% on excess over \$200,000 (proposal, 10/4/43) 22% on first \$500 to 87% on excess over \$200,000 (alternative proposal A, 11/29/43) 24% on first \$500 to 88% on excess over \$200,000 (alternative proposal B, 11/29/43)	13% on first \$2,000 to 84% on excess over \$200,000	Same as prior law	Same as prior law
Postwar credit	No provision	Suggested as a possibility, a postwar credit to apply primarily at the lower levels of income on two different bases having different over-all revenue effects <u>Suggestion I</u> was: 50% of the first \$50 of tax, plus 25% of the next \$50, plus 5% of the balance, with a maximum credit of \$250 <u>Suggestion II</u> was: 50% of the first \$50 of tax, plus 25% of the next \$150, plus 10% of the balance, with a maximum credit of \$400	No provision	No provision	No provision
Minimum tax	No provision	1/	3% of net income in excess of credits of \$500 for a single person or a married person filing a separate return, \$700 for a married couple filing a joint return, or a head of family, \$100 for each dependent, and amount of partially tax-exempt interest	No provision	No provision

1/ The Treasury was opposed to the provision in the House bill.

I. INDIVIDUAL INCOME TAXES (Continued)

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
Personal exemptions for regular income tax					
Single person	\$500	Same as prior law	Same as prior law	Same as prior law	Same as prior law
Head of family	\$1,200	\$1,100	Same as prior law	Same as prior law	Same as prior law
Married couple:					
If joint return is filed or if one spouse has no gross income	\$1,200	\$1,100	Same as prior law	Same as prior law	Same as prior law
If each spouse files separate return	\$1,200 may be taken by either spouse or divided between them in any proportion	\$1,100 may be taken by either spouse or divided between them in any proportion	\$500	Same as prior law	Same as prior law
Credit for each dependent	\$350	\$300	Same as prior law	Same as prior law	Same as prior law
Earned income credit	10% of earned net income, but not in excess of 10% of net income; maximum \$1,400 (first \$3,000 of net income is deemed earned)	Repeal	Repealed	Repealed	Repeals
Date determining marital and dependent status	Taxpayer required to pre-rate exemptions and credits if his status changed during the taxable year	<u>1/</u>	July 1 of taxable year (or last day of taxable year if July 1 not included)	Same as prior law	Same as House bill

1/ The Treasury recommended the provision in the House bill.

I. INDIVIDUAL INCOME TAXES (Continued)

Item	Prior Law	Treasury :	House bill	Senate bill	Revenue Act of 1943
Deduction for Federal excise taxes	Allowed as a deduction to the taxpayer upon whom the tax is legally imposed	1/	Disallowed, except where the tax paid is a trade or business expense or is incurred in the production of income	Same as House bill	Same as House bill
Special deduction for blind	No deduction	2/	\$500. Individual's status for purpose of the deduction determined as of July 1 of the taxable year	Same as House bill	Same as House bill
Exclusions from gross income: military and naval personnel	No exclusion	2/	Same as prior law	Excluded from gross income amounts received during the taxable year as master-out payments for service in the military or naval forces of the United States	Same as Senate bill
Cost-of-living allowances paid to civilian officers and employees of the Federal Government stationed outside continental United States	No exclusion	3/	Same as prior law	Excluded from gross income amounts received as cost-of-living allowances or post allowances by (1) clerks or employees in the Foreign Service of the United States; (2) ambassadors, ministers, diplomatic, consular, or Foreign Service officers; and (3) other civilian officers or employees of the Government of the U.S. stationed outside continental United States	Same as Senate bill

1/ The Treasury recommended the provision in the House bill.
 2/ The Treasury took no position on the provision in the Revenue Act of 1943.
 3/ The Treasury took no position on the provision in the Senate bill.

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I. INDIVIDUAL INCOME TAXES (Continued)

5

Item	Prior law	Treasury : proposal :	House bill	Senate bill	Revenue Act of 1943
Back pay attributable to prior years	No provision	<u>1/</u>	Limited the tax on back pay received by an individual because of an alleged unfair labor practice under the National Labor Relations Act, or a violation of the Fair Labor Standards Act, or retroactive increase approved by the National War Labor Board to such tax as would be payable if the back pay were received in the years for which paid	No provision	If back pay exceeds 15% of gross income, the maximum tax attributable to such back pay shall be the tax resulting from inclusion of such amounts in the gross income of the taxable years to which the back pay is attributable. Back pay is defined to include (a) remuneration deferred due to a variety of causes including bankruptcy or receivership of the employer, litigation, and lack of funds where the employer is a government, (b) retroactive pay increases recommended or approved by a government agency, and (c) payments arising out of violation of laws pertaining to fair labor standards or practices
Limitation of deductions attributable to business operated by individuals at a loss for 5 consecutive years	No limitation	<u>2/</u>	Same as prior law	In the case of sole proprietors and partners, limited deductions attributable to business operated at a loss for 5 consecutive years, regardless of size of loss, to a net loss of \$20,000 in any one year, and disallowed the net operating loss deduction. Required redetermination of the tax for each affected year, but not for taxable years beginning prior to 1944.	In the case of sole proprietors and partners, limits deductions (other than taxes and interest) attributable to business operated at a loss of more than \$50,000 for 5 consecutive years to a net loss of \$50,000 in any one year; and disallows the net operating loss deduction. Requires redetermination of the tax for each affected taxable year, but not for taxable years beginning prior to 1944.

1/ The Treasury was in favor of the provision in the Revenue Act of 1943.
2/ The Treasury took no position on this provision.

I. INDIVIDUAL INCOME TAXES (Continued)

Item	Prior law	Treasury : proposal :	House bill	Senate bill	Revenue Act of 1943
Excess of deductions of estates and trusts	If during the first 65 days of the taxable year, income of an estate or trust for a prior period is distributed to a beneficiary, such distribution to the extent of the income for that part of the period not within the current year (but not exceeding the last 12 months) shall be deemed to have been made on the last day of the prior taxable year and shall be taxable to the beneficiary. If on a date more than 65 days after the beginning of the taxable year income of an estate or trust for a prior period is distributed to a beneficiary, such distribution is taxable to the beneficiary to the extent of the income for the last 12 months of such period	1/	Same as prior law	Same as prior law, with a new limitation to the effect that if the payments during the taxable year exceed the net income for such year, the excess shall not be includible in the net income of the beneficiary	Same as Senate bill
Trusts for maintenance or support of certain beneficiary	According to the decision in <u>Helvering v. Stuart</u> , 317 U. S. 154 (1942), if income from a trust may, in the discretion of persons lacking a substantial adverse interest, be used to maintain or support a beneficiary whom the grantor is legally obligated to maintain or support, it is taxable to the grantor regardless of whether or not it is actually so applied	2/	In the case of discretionary trusts, the income is taxable to the grantor only to the extent that it is actually applied in discharging his obligation of maintenance or support	Same as House bill, with certain technical changes	Same as Senate bill

1/ The Treasury recommended the provision in the Senate bill.

2/ The Treasury took no position on the provision in the House bill.

I. INDIVIDUAL INCOME TAXES (Continued)

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
WITHHOLDING AT SOURCE ON WAGES					
Withholding rates and procedure	Provided, at the election of the employer, alternative methods for computing the tax withheld. Under the first or "exact computation" method, the amounts required to be withheld were 20% of the excess of each payment of wages over the family status withholding exemptions, or 3% of the excess of each payment of wages over the Victory tax withholding exemption, whichever resulted in the greater tax. Under the second or "wage table" method, the amounts required to be withheld were determined in accordance with tables provided in the law	Extend withholding to salaries and wages in excess of the first bracket surtax net income by withholding at graduated rates	Retained prior law withholding rates under exact computation method, but adjusted the withholding exemptions by slight amounts, and revised somewhat the wage bracket withholding tables	Same as prior law	Same as prior law

I. INDIVIDUAL INCOME TAXES (Continued)

Item	Prior law	Treasury : proposal :	House bill	Senate bill	Revenue Act of 1943
Annual withholding exemptions		<u>1/</u>		Same as prior law	Same as prior law
For 20% rate:					
Single person	\$624		\$528		
Married person whose spouse claims no exemption, or head of family	\$1,248		\$1,272		
Married person whose spouse claims an exemption	\$624		\$528		
Each dependent	\$312		\$372		
For 3% rate	\$624		\$528 for a single person, or married person whose spouse claims an exemption; \$744 for a married person whose spouse claims no exemption, or head of family; \$108 for each dependent		
Withholding exemption certificate showing change of employee status	Permitted certificates furnished by reason of change of status to be given effect at any time after the date of furnishing; and required that they be given effect by the following January 1 or July 1 which falls at least 30 days from the date of furnishing	<u>2/</u>	Same as prior law, but pro- hibits any certificates furnished by reason of change of status occurring after July 1 from being given effect before the following January 1	Same as prior law	Same as House bill

1/ The Treasury did not object to the provision in the House bill.
2/ The Treasury was in favor of the provision in the House bill.

I. INDIVIDUAL INCOME TAXES (Continued)

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
Withholding on nonresident aliens brought into the United States under authority of the War Manpower Commission	Treated same as other nonresident aliens: withholding at rate of 30% (Prior to July 1, 1943, the 30% rate was applied to the gross amount of wages. A regulation issued by the Bureau of Internal Revenue in July 1943, however, allows such individuals the benefit of the personal exemption of \$500, prorated upon the basis of \$1.40 per day for the period of employ- ment during any portion of which personal services are performed within the United States.)	<u>1/</u>	Same as prior law	Withholding at rate of 10% on gross amount of wages	Same as Senate bill
Second anti-windfall provision: Additional increase in 1943 tax where income is sub- stantially increased in comparison with income for base year	Where the surtax net income for 1942 or 1943 exceeds by more than \$20,000 the highest surtax net income received in any one of the base years (1937-1940 inclusive) the tax forgiveness is limited to an amount not in excess of a tentative tax for 1942 or 1943 whichever year had the lower tax liability (without regard to the Current Tax Payment Act) computed on the amount of surtax net income for the base year plus \$20,000	<u>2/</u>	Same as prior law	Repealed	Repeals

- 1/ The Treasury was in favor of the provision in the Senate bill.
2/ The Treasury did not object to the provision in the Senate bill.

I. INDIVIDUAL INCOME TAXES (Continued)

Item	Prior law	Treasury : proposal :	House bill	Senate bill	Revenue Act of 1943
Penalties in connection with estimated tax:					
Failure to file declaration	10% of the tax	<u>1/</u>	Same as prior law	5% of the unpaid amount of each installment due but unpaid plus 1% for each month or part of a month (except the first) during which such amount remains unpaid, up to a maximum of 10% of the unpaid amount of each installment	Same as Senate bill
Failure to pay installment	\$2.50 or 2 1/4% of the tax, whichever is greater, for each installment with respect to which such failure occurs	<u>1/</u>	Same as prior law	Same as above, but penalty shall not apply with respect to any period with respect to which the penalty for failure to file a declaration is applicable	Same as Senate bill
Substantial underestimate	6% of entire shortage in estimate (but not more than the amount by which the estimate falls short of 80% of the tax, or, in the case of farmers, 66-2/3% of the tax)	<u>1/</u>	Same as prior law	Prior law penalties retained, but made inapplicable if the estimated tax is computed on the preceding year's income at current year's rates and exemptions, and is paid on time in equal quarterly installments or is paid ahead of time, or, in the case of farmers, is paid in full on or before the 15th day of the last month of the taxable year	Same as Senate bill

1/ The Treasury was in favor of the provision in the Senate bill.

EXHIBIT 1
Comparison of surtax rates under prior law, the Treasury proposal of October 4, 1943, and two alternative schedules, the House and Senate bills, and the Revenue Act of 1943 ^{1/}

Surtax net income (In thousands of dollars)				Prior Treasury proposal; Treasury alternative; Treasury alternative; House : Senate bill and : Law : October 4, 1943 : proposal A 2/ : proposal B 2/ : bill ; Revenue Act of 1945				
Over	.5,	Not over	.5.	13 %	21 %	22 %	24 %	15 %
"	1.0	"	1.0	13	24	25	26	13
"	1.5	"	1.5	13	27	28	28	13
"	2	"	2	13	30	31	31	13
"	4	"	4	16	35	36	36	16
"	6	"	6	20	40	40	40	20
"	8	"	8	24	45	43	40	23
"	10	"	10	28	49	46	44	27
"	12	"	12	32	53	49	44	31
"	14	"	14	36	57	52	47	35
"	16	"	16	40	61	55	47	40
"	18	"	18	43	65	58	50	43
"	20	"	20	46	68	60	50	46
"	22	"	22	49	71	62	53	49
"	24	"	24	52	74	64	55	52
"	26	"	26	55	77	66	58	55
"	28	"	28	58	79	68	61	58
"	30	"	30	61	81	70	64	62
"	32	"	32	63	83	72	66	65
"	34	"	34	66	85	74	69	68
"	36	"	36	69	86	76	72	71
"	38	"	38	72	87	78	75	74
"	40	"	40	75	88	80	78	77
"	42	"	42	77	88	82	81	80
"	44	"	44	79	90	84	84	82
"	46	"	46	81	90	86	87	85
"	48	"	48	82	90	87	88	84
"	50	"	50	6	6	6	6	10
Over 200				81	90	86	87	85
Normal tax				82	90	87	88	84

Same as prior law

- ^{1/} The prior law exemptions of \$500 for a single person, \$1,200 for a married couple, and \$350 for each dependent are retained under the House and Senate bills and the Revenue Act of 1943. Under the Treasury proposals the exemptions are \$500, \$1,100 and \$300, respectively. The Victory tax and earned income credit are both eliminated under the Treasury proposals and the House bill, whereas only the earned income credit is eliminated under the Senate bill and the Revenue Act of 1943.
- ^{2/} Alternative schedules submitted to the Committee on Finance, November 29, 1943.

EXHIBIT 2 - Table 1

12.

Amounts of individual income tax under prior law, Treasury proposal of October 4, 1943, and two alternative schedules, the House and Senate bills, and Revenue Act of 1943

Single person - no dependents

Personal exemption - \$500

Net income before (Prior law including: Treasury proposal: Treasury Proposal A: Treasury Proposal B: personal exemption: net Victory tax 1/ October 4, 1943 : November 29, 1943 : November 29, 1943 : House bill : Senate bill and Revenue Act of 1943						
\$ 500	-	\$ 27	\$ 28	\$ -	\$ -	\$ -
600	17	81	84	30	23	20
800	62	108	112	90	69	65
900	85	135	140	120	92	87
1,000	107	165	171	150	115	110
1,100	130	195	202	182	138	132
1,200	153	220	235	214	161	154
1,500	220	285	295	310	230	221
1,600	243	318	329	344	253	244
2,000	333	450	465	480	345	333
2,500	446	630	650	665	460	445
3,000	574	835	860	875	590	571
4,000	829	1,245	1,280	1,295	850	825
5,000	1,105	1,680	1,720	1,735	1,130	1,098
6,000	1,401	2,140	2,180	2,195	1,430	1,391
8,000	2,052	3,135	3,145	3,115	2,075	2,038
10,000	2,783	4,215	4,170	4,095	2,795	2,765
12,500	3,802	5,670	5,530	5,345	3,800	3,778
15,000	4,968	7,265	6,995	6,670	4,970	4,931
20,000	7,626	10,800	10,180	9,425	7,620	7,548
25,000	10,644	14,710	13,620	12,410	10,630	10,525
50,000	28,058	36,105	32,280	29,345	27,985	27,543
75,000	48,001	59,035	52,650	48,650	48,040	46,931
100,000	69,665	82,575	74,230	69,770	69,910	68,040
500,000	441,863	466,570	444,205	443,235	444,390	431,348
1,000,000	899,500 2/	946,570	909,205	913,235	900,000 2/	888,015
5,000,000	4,499,500 2/	4,786,570	4,629,205	4,673,235	4,500,000 2/	4,500,000 2/

- 1/ Maximum earned net income assumed. Victory tax net income assumed to be ten-ninths of net income.
 2/ Taking into account maximum effective rate limitation of 90 percent.

EXHIBIT 2 - Table 1 a

Effective rates of individual income tax under prior law, Treasury proposal of October 4, 1943, and two alternative schedules, House and Senate bills, and Revenue Act of 1945

Single person - no dependents

Personal exemption - \$500

Net income before personal exemption	Prior law including Victory tax 1/	Treasury proposal October 4, 1943	Treasury proposal A November 29, 1943	Treasury proposal B November 29, 1943	House bill	Senate bill and Revenue Act of 1945
\$ 500	-	-	-	-	-	-
500	2.8 %	4.5 %	4.7 %	5.0 %	3.8 %	5.5 %
800	7.8	10.1	10.5	11.5	8.6	8.1
900	9.4	12.0	12.4	13.3	10.2	9.7
1,000	10.7	13.5	14.0	15.0	11.5	11.0
1,100	11.8	15.0	15.5	16.5	12.5	12.0
1,200	12.8	16.3	16.8	17.8	13.4	12.8
1,500	14.7	19.0	19.7	20.7	15.3	14.7
1,600	15.2	19.9	20.6	21.5	15.8	15.3
2,000	16.7	22.5	23.3	24.0	17.3	16.7
2,500	17.8	25.2	26.0	26.6	18.4	17.8
3,000	19.1	27.8	28.7	29.2	19.7	19.0
4,000	20.7	31.1	32.0	32.4	21.3	20.6
5,000	22.1	33.6	34.4	34.7	22.6	22.0
6,000	23.4	35.7	36.3	36.6	23.8	23.2
8,000	25.7	39.2	39.3	38.9	25.9	25.5
10,000	27.8	42.2	41.7	41.0	28.0	27.7
12,500	30.4	45.4	44.2	42.8	30.4	30.2
15,000	33.1	48.4	46.6	44.5	33.1	32.9
20,000	38.1	54.0	50.9	47.1	38.1	37.7
25,000	42.6	58.8	54.5	49.6	42.5	42.1
50,000	56.1	72.2	64.6	58.7	56.0	55.1
75,000	64.0	78.7	70.2	64.9	64.1	62.6
100,000	69.7	82.6	74.2	69.8	69.9	68.0
500,000	88.4	95.3	88.8	88.6	88.9	86.3
1,000,000	90.0 2/	94.7	90.9	91.3	90.0 2/	88.8
5,000,000	90.0 2/	95.7	92.6	93.5	90.0 2/	90.0 2/

1/ Maximum earned net income assumed. Victory tax net income assumed to be ten-ninths of net income.

2/ Taking into account maximum effective rate limitation of 90 percent.

EXHIBIT 2 - Table 2

Amounts of individual income tax under prior law, Treasury proposal of October 4, 1943, and two alternative schedules, House and Senate bills, and Revenue Act of 1943

Married person - no dependents

Personal exemptions: Prior law, House and Senate bills, and Revenue Act of 1943 - \$1,200; Treasury proposals - \$1,100

Net income before : Prior law including: Treasury proposal: Treasury proposal A: Treasury proposal B:						House	Senate bill and
personal exemption: net Victory tax 1/ : October 4, 1943 : November 29, 1943 : November 29, 1943 :						bill	Revenue Act of 1943
\$ 600	\$ 1	-	-	-	-	\$ 5 2/	\$ 1
800	8	-	-	-	-	9 2/	8
1,000	15	-	-	-	-	12 2/	15
1,100	18	-	-	-	-	15 2/	18
1,200	21	\$ 27	\$ 28	\$ 30	15 2/	21	21
1,500	79	108	112	120	69	88	88
1,600	101	135	140	150	92	111	111
1,800	144	195	202	214	138	155	155
1,900	166	225	233	246	161	178	178
2,000	188	255	264	278	184	200	200
2,500	297	417	431	446	299	312	312
3,000	405	594	613	628	414	425	425
4,000	647	999	1,028	1,043	668	671	671
5,000	894	1,409	1,448	1,463	928	924	924
6,000	1,173	1,864	1,904	1,919	1,220	1,209	1,209
8,000	1,780	2,829	2,851	2,839	1,844	1,828	1,828
10,000	2,467	3,885	3,858	3,795	2,536	2,527	2,527
12,500	3,437	5,316	5,200	5,045	3,513	3,512	3,512
15,000	4,533	6,867	6,632	6,352	4,628	4,617	4,617
20,000	7,100	10,356	9,784	9,089	7,228	7,184	7,184
25,000	10,035	14,250	13,200	12,044	10,196	10,119	10,119
50,000	27,075	35,571	31,812	28,913	27,480	27,060	27,060
75,000	46,955	58,477	52,146	48,164	47,452	46,585	46,585
100,000	68,584	82,005	73,702	69,248	69,280	67,459	67,459
500,000	440,747	465,994	443,647	442,671	443,732	430,732	430,732
1,000,000	899,000 3/	945,994	908,647	912,671	900,000 3/	887,399	887,399
5,000,000	4,499,000 3/	4,785,994	4,628,647	4,672,671	4,500,000 3/	4,500,000 3/	4,500,000 3/

1/ Maximum earned net income assumed. Victory tax net income assumed to be ten-ninths of net income.

2/ Minimum tax.

3/ Taking into account maximum effective rate limitation of 90 percent.

EXHIBIT 2 - Table 2 a

Effective rates of individual income tax under prior law, Treasury proposal of October 4, 1943, and two alternative schedules, House and Senate bills, and Revenue Act of 1943

Married person - no dependents

Personal exemptions: Prior law, House and Senate bills, and Revenue Act of 1943 - \$1,200; Treasury proposals - \$1,100

Net income before : Prior law including: Treasury proposal Treasury proposal A : Treasury proposal B : House : Senate bill and personal exemption: net Victory tax 1/ : October 4, 1943: November 29, 1943 : November 29, 1943 : bill : Revenue Act of 1943							
\$							
600	0.2 %	-	-	-	-	-	0.2 %
800	1.0	-	-	-	-	-	
1,000	1.5	-	-	-	.4 % 2/		1.0
1,100	1.6	-	-	-	.9 2/		1.5
1,200	1.8	2.3 %	2.3 %	2.5 %	1.1 2/		1.6
1,500	5.3	7.2	7.5	8.0	1.3 2/		1.8
1,600	6.3	8.4	8.8	9.4	4.6		5.9
1,800	8.0	10.8	11.2	11.9	5.8		6.9
1,900	8.7	11.8	12.3	12.9	7.7		8.6
2,000	9.4	12.8	13.2	13.9	8.5		9.4
2,500	11.9	16.7	17.2	17.8	9.2		10.0
3,000	13.5	19.8	20.4	20.9	12.0		12.5
4,000	16.2	25.0	25.7	26.1	13.8		14.1
5,000	17.9	28.2	29.0	29.3	16.7		16.8
6,000	19.6	31.1	31.7	32.0	18.6		18.5
8,000	22.3	35.4	35.6	35.5	20.3		20.2
10,000	24.7	38.9	38.6	38.0	23.1		22.9
12,500	27.5	42.5	41.6	40.4	25.4		25.3
15,000	30.2	45.8	44.2	42.3	28.1		28.1
20,000	35.5	51.8	48.9	45.4	30.9		30.8
25,000	40.1	56.9	52.8	48.2	36.1		35.9
50,000	54.2	71.1	63.6	57.8	40.8		40.5
75,000	62.6	78.0	69.5	64.2	54.9		54.1
100,000	68.6	82.0	73.7	69.2	63.3		61.8
500,000	88.1	93.2	88.7	88.5	69.3		87.5
1,000,000	89.9 3/	94.6	90.9	91.3	88.7		86.1
5,000,000	90.0 3/	95.7	92.6	93.5	90.0 3/		88.7
					90.0 3/		90.0 3/

1/ Maximum earned net income assumed, Victory tax net income assumed to be ten-ninths of net income.

2/ Minimum tax.

3/ Table does not account maximum effective rate limitation of 90 percent.

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EXHIBIT 2 - Table 3

16

Amounts of individual income tax under prior law, Treasury proposal of October 4, 1943, and two alternative schedules, House and Senate bills, and Revenue Act of 1943

Married person - two dependents

Personal exemptions and dependent credits: Prior law, House and Senate bills, and Revenue Act of 1943 - \$1,200, \$350; Treasury proposals - \$1,100, \$300

Net income before ; Prior law including ; Treasury proposal ; Treasury proposal A ; Treasury proposal B ;		House		Senate bill and	
personal exemption; net Victory tax 1/; October 4, 1943 ; November 29, 1943 ; November 29, 1943 ;		bill		Revenue Act of 1943	
\$ 600	\$ 1	-	-	\$ 1	
800	7	-	-	8	
1,000	14	-	-	15	
1,200	20	-	-	21	
1,500	29	-	-	31	
1,700	35	-	-	38	
1,800	39	\$ 27	\$ 28	\$ 30	
1,900	42	54	56	60	
2,000	58	81	84	90	
2,500	159	225	253	246	
3,000	267	384	397	412	
4,000	485	753	776	791	
5,000	730	1,163	1,196	1,211	
6,000	979	1,588	1,628	1,643	
8,000	1,553	2,523	2,557	2,563	
10,000	2,208	3,555	3,546	3,495	
12,500	3,144	4,962	4,870	4,745	
15,000	4,207	6,489	6,284	6,034	
20,000	6,693	9,912	9,588	8,753	
25,000	9,574	13,750	12,780	11,678	
50,000	26,392	35,037	31,344	28,481	
75,000	46,209	57,919	51,642	47,578	
100,000	67,803	81,435	73,174	68,726	
500,000	439,931	465,418	443,089	442,107	
1,000,000	898,800 3/	945,418	908,089	912,107	
5,000,000	4,498,800 3/	4,785,418	4,628,089	4,672,107	

- 1/ Maximum earned net income credit assumed. Victory tax net income assumed to be ten-ninths of net income.
 2/ Minimum tax.
 3/ Taking into account maximum effective rate limitation of 90 percent.

EXHIBIT 2 - Table 3 a

Effective rates of individual income tax under prior law, Treasury proposal of October 4, 1945, and two alternative schedules, House and Senate bills, and Revenue Act of 1945

Married person - two dependents

Personal exemptions and dependent credits: Prior law, House and Senate bills, and Revenue Act of 1945 - \$1,200, \$350; Treasury proposals - \$1,100, \$300

Net income before ; Prior law including ; Treasury proposal ; Treasury proposal A ; Treasury proposal B ;		House		Senate bill and	
personal exemption; net Victory tax ^{1/} ; October 4, 1945 ; November 29, 1945 ; November 29, 1945 ;		bill		; Revenue Act of 1945	
\$					
600	.2 %	-	-	-	.2 %
800	.9	-	-	-	1.0
1,000	1.4	-	-	-	1.5
1,200	1.7	-	-	.5 % ^{2/}	1.8
1,500	1.9	-	-	.8 ^{2/}	2.1
1,700	2.1	-	-	1.2 ^{2/}	2.2
1,900	2.2	1.5 %	1.6 %	1.4 ^{2/}	2.3
1,900	2.2	2.8	2.9	1.5 ^{2/}	2.4
2,000	2.9	4.1	4.2	1.6 ^{2/}	3.4
2,500	6.4	9.0	9.3	1.7 ^{2/}	7.2
3,000	8.9	12.8	13.2	5.5	9.7
4,000	12.1	18.8	19.4	8.4	12.9
5,000	14.6	23.3	23.9	12.2	15.4
6,000	16.3	26.5	27.1	14.9	17.1
8,000	19.4	31.5	32.0	16.8	20.2
10,000	22.1	35.6	35.5	20.2	22.9
12,500	25.2	39.7	39.0	22.6	26.0
15,000	28.0	43.3	41.9	25.8	28.8
20,000	33.5	49.6	46.9	28.7	34.1
25,000	38.3	55.0	51.1	34.2	38.9
50,000	52.8	70.1	62.7	39.0	53.2
75,000	61.6	77.2	68.9	53.9	61.1
100,000	67.8	81.4	73.2	62.5	66.9
500,000	88.0	93.1	88.6	68.7	86.0
1,000,000	89.9 ^{3/}	94.5	90.8	88.6	88.7
5,000,000	90.0 ^{3/}	95.7	92.6	90.0 ^{3/}	90.0 ^{3/}

^{1/} Maximum earned net income credit assumed. Victory tax net income assumed to be ten-ninths of net income.

^{2/} Minimum tax.

^{3/} Taking into account maximum effective rate limitation of 90 percent.

II. CORPORATION TAXES

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
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TAX RATES, CREDITS, AND EXEMPTIONS

Normal tax rates

Corporations with normal-tax net income not over \$50,000:

First \$5,000	15%	)			
Next \$15,000	17%	)			
Next \$5,000	19%	)			
Next \$25,000 (notch)	31%	)	No proposal	Same as prior law	Same as prior law

Corporations with normal-tax net income over \$50,000:

Flat rate	24%	)			
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Surtax rates

Corporations with surtax net income not over \$50,000:

First \$25,000	10%	14%	)	Same as prior law	Same as prior law	Same as prior law
Next \$25,000 (notch)	22%	38%	)			

Corporations with surtax net income over \$50,000:

Flat rate	16%	26%		Same as prior law	Same as prior law	Same as prior law
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Excess-profits tax rate

Flat rate on adjusted excess profits net income (subject to postwar refund of 10% of the excess-profits tax)

90%	90%	95%	Same as House bill	Same as House bill
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II. CORPORATION TAXES (Continued)

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
Excess-profits tax limitation					
Maximum effective rate limitation of total tax (in terms of surtax net income before credit for income subject to excess-profits tax)	80%	80% ^{1/}	Same as prior law	Same as prior law	Same as prior law
Excess-profits tax exemption					
Specific exemption	\$5,000	\$5,000 ^{2/}	\$10,000	\$10,000	\$10,000
Excess-profits credit					
Invested capital method:					
First \$5,000,000 of invested capital	8%	8%	8%	8%	8%
Next \$5,000,000 of invested capital	7%	7%	6% ^{2/}	6%	6%
Next \$190,000,000	6%	6%	5% ^{2/}	5%	5%
Over \$200,000,000	5%	5%	4% ^{2/})	5%	5%
Income method:					
Percentage of average earnings in base period	95%	No proposal	Same as prior law	Same as prior law	Same as prior law
Carry-back of unused credits:					
Special provision to permit anticipated tax refunds from carry-backs to be used to reduce current-year tax payments	No provision	Special provision proposed	Same as prior law	Same as prior law	Same as prior law

^{1/} The Treasury recommended an upward revision of the 80% limitation in case Congress should decide in favor of an increase of the excess-profits tax rate above 90%.

^{2/} The Treasury was in favor of the provision in the House bill.

II. CORPORATION TAXES (Continued)

Item	Prior law	Treasury : proposal :	House bill :	Senate bill	Revenue Act of 1943
Involuntary liquidation of inventories valued under last-in-first-out (life) method	If involuntary liquidation occurs in any taxable year (beginning after December 31, 1941 and prior to termination of war), taxpayer could elect to treat subsequent replacements (made in a taxable year ending not later than three years after termination of the war) as if made in year of liquidation	1/	Same as prior law	1. Extended involuntary liquidation to taxable years beginning after December 31, 1940 2. Technical amendments to (a) permit replacements to affect tax liabilities of years preceding as well as subsequent to year of replacement; (b) extend the adjustment to declared value excess-profits tax as well as normal tax, surtax, and excess-profits tax; and (c) remove present ambiguity in the determination of cost of goods sold of the year of liquidation	Same as Senate bill
Corporate contributions to veterans' organizations	Organizations of war veterans were not included in the definition of beneficiaries to which corporations can make deductible gifts or contributions	2/	Same as prior law	Permitted a corporation to deduct gifts and contributions to organizations of war veterans to the same extent that it is entitled to deduct charitable contributions	Same as Senate bill

1/ The Treasury was in favor of the provision in the Senate bill.

2/ The Treasury took no position on this provision but did point out that it departed from present law in permitting the corporate deduction for a contribution to an organization that indulged in influencing legislation.

II. CORPORATION TAXES (Continued)

Item	Prior law	Treasury : proposal :	House bill	Senate bill	Revenue Act of 1943
Credit for dividends paid on preferred stock of public utilities	Extended to public utilities a credit against surtax net income for dividends paid during the taxable year on cumulative preferred stock which was issued prior to October 1, 1942	<u>1/</u>	Same as prior law	Dividend credit for payment of arrearages dating back to taxable years ending prior to October 1, 1942 was disallowed A credit was allowed on stock issued on or after October 1, 1942, if this stock was issued to refund or replace bonds or debentures or other preferred stock issued before that date	Same as Senate bill
Tax returns of organizations exempt from taxation under Section 101, I.R.C.	Under regulations of the Commissioner of Internal Revenue, only selected groups of tax-exempt organizations were required to file annual information returns	<u>2/</u>	Prescribed that all tax-exempt organizations with the exception of religious, certain educational, and certain charitable organizations, shall file annual information returns	Substantially identical with House bill, but exempted fraternal organizations and corporations wholly owned by the United States from the filing requirements	Same as Senate bill

1/ The Treasury was in favor of the provision in the Senate bill.

2/ The Treasury took no position on this provision.

II. CORPORATION TAXES (Continued)

Item	Prior law	Treasury : proposal :	House bill	Senate bill	Revenue Act of 1943
Use of predecessor's basis of property in the case of reorganizations of certain insolvent corporations: (a) railroads (b) other corporations	Permitted reorganized insolvent railroads to use the transferor's basis for income and excess-profits tax purposes, provided the transfer of property took place after December 31, 1939	1/	Same as prior law	Extended prior law with respect to reorganization of insolvent railroads back one year to transactions and tax liabilities after December 31, 1938	Same as Senate bill
	Required the use of fair market value except for reorganizations under Section 112(g)(1) (except where debt is canceled, in which case the basis is reduced by the amount of cancellation to a floor of fair market value if reorganization under 77B or Chapter X of the National Bankruptcy Act)	2/	Same as prior law	Applied transferor's basis to all corporations which were reorganized since December 31, 1933. Retroactive to 1940 Provisions affecting non-railroad reorganizations made applicable only to taxable years beginning in 1943 and thereafter	
Reorganization by adjustment of capital and debt structure	Section 270 of the National Bankruptcy Act provided for reduction of basis by the amount of debt canceled to an amount not less than fair market value. Invested capital credit on basis of money or property paid in for stock	2/	Same as prior law	Where reorganization of a corporation other than a railroad corporation in receivership, 77B or Chapter X of the National Bankruptcy Act, is consummated under a plan of adjustment of the capital and debt structure of an existing corporation, at the election of the taxpayer, Section 270 of the Bankruptcy Act will not apply and for invested capital purposes, the corporation will be deemed a transferee in a tax-free reorganization	Same as prior law

1/ The Treasury took no position on this provision.

2/ The Treasury was opposed to the provision in the Senate bill.

II. CORPORATION TAXES (Continued)

Item	Prior law	Treasury : proposal	House bill	Senate bill	Revenue Act of 1943
Reorganization by adjustment of capital structure prior to September 22, 1938	In reorganizations under Section 77B of the National Bankruptcy Act, Section 270 of that Act provided for reduction of the basis of property by the amount of debt forgiven to an amount not less than the fair market value of the property	<u>1/</u>	Same as prior law	Section 270 of the National Bankruptcy Act was made inapplicable in cases where the reorganization involved adjustment of the capital or debt structure without transfer of the assets to another corporation and was consummated prior to September 22, 1938. Reorganized taxpayer would retain the old basis of property. Retroactive to taxable years beginning after December 31, 1935	Same as Senate bill
Carry-over of unused excess-profits credit on reorganization of insolvent railroad	Transferee on reorganization not entitled to carry-over from transferor	<u>1/</u>	Same as prior law	Transferee railroad corporation, the basis of property of which is governed by Section 113(a)(20) entitled to carry-over of unused excess-profits credit of transferor. Retroactive to taxable years beginning after December 31, 1939	Same as prior law

1/ The Treasury was opposed to the provision in the Senate bill.

II. CORPORATION TAXES (Continued)

Item	Prior law	Treasury : proposal :	House bill	Senate bill	Revenue Act of 1943
Gain from sale or exchange of property pursuant to Federal Communications Commission orders	No special treatment was provided with respect to gains resulting from sale of radio stations or other radio facilities affected in order to comply with licensing requirements of the Federal Communications Commission	<u>1/</u>	Same as prior law	Provided that at the election of the taxpayer no gain shall be recognized if the property disposed of is exchanged for other similar property, or if the proceeds are either used to acquire other similar property or held in a replacement fund, or if the basis of other depreciable assets of the taxpayer is reduced to the extent of the money which is not so expended. Applicable to taxable years beginning in 1943 or thereafter	Same as Senate bill
Percentage depletion	Taxpayers owning the following mineral properties may use percentage depletion at the specified rates of gross income (but not to exceed 50 percent of net income): Oil and gas wells 27 1/2% Sulphur mines 23% Metal, fluorspar, ball and saggar clay, and rock asphalt mines 15% Coal mines 5%	<u>2/</u>	Permitted 15% depletion for flake graphite, vermiculite, beryl, feldspar, mica, lepidolite and spodumene, and 23% depletion for potash, for the duration of the war. Provided that existing percentage depletion allowances for fluorspar, ball and saggar clay, and rock asphalt be withdrawn at the termination of the war	Extended 15% depletion to talc and barite. Reduced depletion of potash from 23% to 15% but made this permanent. Otherwise same as House bill	Same as Senate bill

1/ The Treasury did not object to this provision.

2/ The Treasury opposed percentage depletion for vermiculite, feldspar, lepidolite, spodumene, and potash, but did not object to the action taken in the House bill with respect to fluorspar, flake graphite, sheet mica, and beryl.

II. CORPORATION TAXES (Continued)

Item	Prior law	Treasury : proposal :	House bill :	Senate bill	Revenue Act of 1943
Definition of gross income from mineral property for purposes of computing percentage depletion and relief from excess-profits taxation for producers of strategic minerals and depletable resources (beneficiation)	Under regulations of the Commissioner of Internal Revenue, the gross income from mineral property for an integrated corporation was in general considered to be the entire gross income less cost and profits attributable to (a) transportation, and (b) processes not regarded as extraction and ordinary treatment processes	<u>1/</u>	Same as prior law	Inserted in law a definition of gross income from mineral property and listed the ordinary treatment processes which are deemed to be a part of mining and which contribute to such gross income. These processes are substantially the same as under existing regulations, except that furnacing of quicksilver and cyanidation are added to the list of ordinary treatment processes. The definition contained a sentence providing that the costs of any process not an ordinary treatment process shall be excluded from the gross income	Same as Senate bill, except that the sentence relating to the exclusion of the costs of processes not ordinary treatment processes was stricken out and that thermal or electric smelting, roasting and refining were expressly excluded as ordinary treatment processes
Gain or loss upon cutting of timber	Income from cutting of timber was taxed at regular rates applicable to ordinary income	<u>2/</u>	Same as prior law	Permitted taxpayer who owns timber or has contract right to cut timber from the property of others to elect to treat income from the cutting of timber in any taxable year as a long-term capital gain Same treatment was granted to timber owners who dispose of standing timber under leasing contracts	Same as Senate bill

- 1/ The Treasury was opposed to the sentence contained in the Senate provision which by implication allowed the profits from processes not ordinary treatment processes to be included in the gross income from the mineral property, and was also opposed to the failure in the Senate provision to exclude expressly from ordinary treatment processes smelting and refining.
- 2/ The Treasury was opposed to the provision in the Senate bill.

II. CORPORATION TAXES (continued)

Item	Prior Law	Treasury : : proposal :	House bill	Senate bill	Revenue Act of 1943
Acquisitions to avoid income and excess-profits taxes	No specific provision	✓	Provided that tax benefits from acquisitions on or after October 8, 1940, or an interest in or control of a corporation or property, are to be disallowed wholly or partially if the Commissioner of Internal Revenue finds that one of the principal purposes for which such acquisition was made or availed of is the avoidance of income or excess-profits taxes. Applicable to taxable years beginning after December 31, 1939	Same as prior law	Same as prior law
Mutual fire insurance companies issuing perpetual premium policies	These companies were taxed under Section 207 of the Code (relating to mutual fire insurance companies either than life and marine) either at regular corporate normal, surplus and excess-profits tax rates on net investment income, or at the rate of 1% on gross income, whichever tax is greater. Since losses and general expenses are not deductible in computing net investment income, these companies were in effect taxed on their gross investment income	✓	Same as prior law	Provided for the taxation of these companies under Section 204 of the Code (relating to stock insurance companies, other than life). This permitted them to be taxed at regular rates on investment income, but allowed full deduction of losses and general expenses	Same as Senate bill
					Vendor corporation in the hands of the reference to its basis determined by acquisition and the control of the vendor holders were not in corporations or its share-acquisitions by corporations where the acquisition also in case of property made is made applicable except that the disallow-

✓
The Treasury recommended the provision in the House bill.
✓
The Treasury was in favor of the provision in the Senate bill

II. CORPORATION TAXES (Continued)

Item	Prior law	Treasury : proposal :	House bill	Senate bill	Revenue Act of 1943
Excess-profits tax exemption for producers of strategic minerals	Provides excess-profits tax exemption for producers of 11 specified strategic minerals	1/	Extended strategic minerals excess-profits tax exemption to producers of fluorspar, flake graphite and vermiculite	Same as House bill	Same as House bill
Nontaxable income from certain mining and timber operations	Mining relief from the excess-profits tax under Section 735 was not applicable to income from any mineral property or timber tract which had not been in operation for at least 6 months during the base period. Moreover, no relief was provided on income from timber tracts acquired by taxpayer after December 31, 1942	2/	Granted relief consisting of 1/6 of current unit net income to corporations on income derived from new coal and iron properties and from new timber tracts. In addition, operators of timber tracts were eligible for relief on income from tracts acquired after December 31, 1942. Provisions retroactive to December 31, 1941	Same as House bill, except that relief was trebled (1/2 of current unit net income of new iron and coal properties and timber tracts, instead of 1/6)	Same as House bill
Nontaxable income from certain natural gas operations	Income from output of natural gas corporations was taxable at regular rates	3/	Natural gas corporations were extended excess-profits tax relief with respect to income attributable to increased output from producing properties and transportation facilities. The nontaxable income consisted of the excess output multiplied by 1/2 of unit net income	Limited the extension of relief to income from increased production of natural gas	Same as House bill

- 1/ The Treasury was opposed to the provision in the House bill with respect to vermiculite but was in favor of it with respect to fluorspar and flake graphite.
- 2/ The Treasury in the Senate did not oppose this provision in the House bill but opposed the changes made by the Senate.
- 3/ The Treasury was opposed to the provision in the House bill but was in favor of the provision as amended by the Senate.

II. CORPORATION TAXES (Concluded)

Item	Prior law	Treasury : proposal :	House bill	Senate bill	Revenue Act of 1943
Extension of mining relief from excess-profits tax to lessors	Mining relief from the excess-profits tax under Section 735 was applicable only to operators of mineral properties or timber tracts	1/	Extended mining relief under Section 735 to lessors of mineral properties or timber tracts	Same as House bill	Same as House bill
Excess-profits tax exemption of airlines engaged in the carrying of mail	Corporations subject to Title IV of the Civil Aeronautic Act are exempt from excess-profits tax if their income subject to excess-profits tax is equal to or less than the compensation received from the United States for transportation of mail by aircraft. However, if their mail compensation exceeded income subject to excess-profits tax, they were not permitted to carry over the excess as an unused excess-profits credit	2/	Same as prior law	Provided that the excess of mail compensation over income subject to excess-profits tax of one year may be deducted from income subject to excess-profits tax of another year for the purpose of determining whether the corporation is exempt from excess-profits tax in such other year	Same as Senate bill
Treatment of losses of railroads on investments in stock or securities of other railroads	Provides that investments in stock or securities of any type are defined as "capital assets" for all taxpayers. Losses realized upon sale or other disposition of these assets are capital losses and, when held for more than 6 months, cannot be deducted from regular income	2/	Same as prior law	Provided that in the case of railroads investments in stock or securities of other railroads are not included in the definition of "capital assets". This would have permitted railroads to deduct from regular income any losses which they could realize upon sale or other disposition of these investments	Same as prior law

1/ The Treasury was in favor of the provision in the House bill.
 2/ The Treasury was opposed to the provision in the Senate bill.

III. RENEGOTIATION OF WAR CONTRACTS

(Amendments in the House and Senate bills and in the Revenue Act of 1943 apply to renegotiation of fiscal years ending after June 30, 1943, unless otherwise noted.)

Item	Prior law	Treasury : proposal :	House bill	Senate bill	Revenue Act of 1943
Renegotiable profits	Profits paid or accrued from contracts or subcontracts with the War Department, Navy Department, Treasury Department, Maritime Commission, and Reconstruction Finance Corporation, after recognizing applicable costs of the character allowed by the Internal Revenue Code	<u>1/</u>	Added War Shipping Administration	Same as House bill, except changed cost definition to allocable costs estimated to be allowable under Internal Revenue Code, including carry-overs and carry-backs, and recomputation of amortization deduction	Same as Senate bill without allowance of carry-overs and carry-backs. (Recomputation of the amortization deduction was made effective as if part of original act)
Mandatory exemptions	1. Contracts or subcontracts for which final payment was made prior to April 28, 1942	<u>1/</u>	1. Same as prior law	1. Same as prior law	1. Same as prior law
	2. Aggregate sales of contractor or subcontractor to above agencies not in excess of \$100,000 for fiscal year	<u>2/</u>	2. Increased to \$500,000	2. Same as House bill	2. Same as House bill
	3. Natural resources up to and including first stage for industrial use	<u>1/</u>	3. Same as prior law	3. Same as prior law	3. Same as prior law

1/ The Treasury took no position on this provision.

2/ The Treasury was in favor of the provision in the House bill.

III. RENEGOTIATION OF WAR CONTRACTS (Continued)

(Amendments in the House and Senate bills and in the Revenue Act of 1943 apply to renegotiation of fiscal years ending after June 30, 1943, unless otherwise noted.)

Item	Prior law	Treasury : proposal :	House bill	Senate bill	Revenue Act of 1943
Mandatory exemptions (continued)		1/	4. Added agricultural commodities at first state when they have an established market, or seasonal canners (Effective as if part of original Act)	4. Same as House bill except deleted seasonal canners and added packed or processed dairy products	4. Same as House bill, except deleted seasonal canners
		2/	5. Added exempt organizations under Section 101 of Internal Revenue Code	5. Same as House bill, but made effective as if part of original Act	5. Same as Senate bill
		3/	6. Added subcontracts for a product which is not a component part of final product	6. Substituted for House component rule - durable machinery with a 10-year life and not a component part of final article	6. Same as prior law
		2/	7. Added subcontracts under exempt contracts or subcontracts	7. Same as House bill but made effective as if part of original Act	7. Same as Senate bill
		4/		8. Added construction awarded through competitive bidding	8. Same as Senate bill
Discretionary exemptions	Contracts or subcontracts where profits can be established with reasonable certainty at time of awarding contract, e.g., perishable goods, transportation and public utility services	4/	Added standard commercial articles	Same as House bill	Same as House bill

- 1/ The Treasury was opposed to the provision exempting seasonal canners.
 2/ The Treasury was in favor of the provision in the Senate bill.
 3/ The Treasury was opposed to the provision in the House bill.
 4/ The Treasury took no position on this provision.

III. RENEGOTIATION OF WAR CONTRACTS (Continued)

(Amendments in the House and Senate bills and in the Revenue Act of 1943 apply to renegotiation of fiscal years ending after June 30, 1943, unless otherwise noted.)

Item	Prior law	Treasury : proposal :	House bill	Senate bill	Revenue Act of 1943
Standards for determining excessive profits	To be established by the renegotiating agency	<u>1/</u>	Established the following considerations: 1. Efficiency 2. Reasonableness of costs and profits 3. Amount and source of public and private capital 4. Extent of risk 5. Nature and extent of contribution to the war effort 6. Character of business 7. Other factors of equity and in the public interest	Same as House bill, but added the following considerations: 8. Problems in connection with reconversion, and 9. Whether profits after Federal taxes are excessive	Same as House bill
Review of determination	None specifically provided	<u>2/</u>	An aggrieved contractor may appeal the determination of excessive profits to the War Contracts Price Adjustment Board (created by this bill), and appeal further to the Tax Court. For earlier determinations an appeal may be made directly to the Tax Court	Board given discretionary review, with further appeal to the Court of Claims. No bilateral agreements for fiscal years ending prior to July 1, 1943, may be appealed	Same as Senate bill, but appeal is to Tax Court

- 1/ The Treasury was opposed to the Senate additions to the House bill.
2/ The Treasury was in favor of the provision in the Senate bill.

III. RENEGOTIATION OF WAR CONTRACTS (Concluded)

(Amendments in the House and Senate bills and in the Revenue Act of 1943 apply to renegotiation of fiscal years ending after June 30, 1943, unless otherwise noted.)

Item	Prior law	Treasury : proposal :	House bill	Senate bill	Revenue Act of 1943
Termination date	Three years after cessation of hostilities	<u>1/</u>	Presidential proclamation of termination of hostilities, or the date specified by Congressional resolution	December 31, 1944, or six months earlier or six months later, if the President establishes the return of competitive conditions; or cessation of hostilities, either by Presidential proclamation or Congressional resolution	Same as Senate bill
Repricing of war contracts	Under same general rules as recapture of post war profits	<u>1/</u>	Same general rules as House provisions for recapture of postwar profits	The Secretary of the Department may reprice <u>any</u> contract or subcontract with Department. Aggrieved contractor may sue for damages in any appropriate court. Termination date as of cessation of hostilities, either by Presidential proclamation or Congressional resolution	Same as Senate bill

1/ The Treasury took no position on this provision.

IV. EXCISE TAXES AND POSTAL RATES

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
EXCISES					
Distilled spirits, per proof gal.	\$6 (drawback of \$3.75 per gal. on nonbeverage alcohol)	\$10 (drawback of \$7 per gal. on nonbeverage alcohol)	\$9 (drawback of \$5 per gal. on nonbeverage alcohol)	\$9 (drawback of \$6 per gal. on nonbeverage alcohol)	Same as Senate bill
Floor stocks	-	\$4	\$3	Same as House bill	Same as House bill
Imported perfumes containing distilled spirits, per wine gal.	\$6	\$10	\$9	Same as House bill	Same as House bill
Fermented malt liquors, per barrel	\$7	\$10	\$8	Same as House bill	Same as House bill
Floor stocks	-	\$3	\$1	Same as House bill	Same as House bill
Wines:					
Still, per wine gal.					
Not over 14% alcohol	10¢	50¢	15¢	Same as House bill	Same as House bill
Over 14% not over 21%	40¢	\$1	60¢		
Over 21% not over 24%	\$1	\$2	\$2		
Sparkling, per half pint	10¢	20¢	15¢		
Other, per half pint	5¢	10¢	10¢		
Floor stocks	-	Rates equal to tax rate increases	Same as Treasury proposal	Same as Treasury proposal	Same as Treasury proposal

IV. EXCISE TAXES AND POSTAL RATES (Continued)

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
Cigarettes, per M					
Small	\$3.50	\$5	Same as prior law	Same as prior law	Same as prior law
Large	\$8.40	\$12	Same as prior law	Same as prior law	Same as prior law
Floor stocks	-	Rates equal to tax rate increases	-	-	-
Cigars	Intended retail: price : : Not : Over : over :	Tax per M	Intended retail: price : : Not : Over : over :	Tax per M	Same as prior law
	2 ¹ / ₂ ¢	\$ 2.50	3 ¹ / ₂ ¢	\$12.50	Same as prior law
	2 ³ / ₄ ¢	4	3 ³ / ₄ ¢	5	Same as prior law
	4	6	5	7	Same as prior law
	6	8	7	9	Same as prior law
	8	15	9	17	Same as prior law
	15	20	17	22	Same as prior law
	20	20.00	22	40.00	Same as prior law
Floor stocks	-	Rates equal to tax rate increases	-	-	-
Chewing, smoking tobacco, and snuff, per pound	18¢	34¢	Same as prior law	Same as prior law	Same as prior law
Floor stocks	-	16¢	-	-	-
General admissions	1¢ per 10¢ or fraction thereof	3¢ per 10¢ or fraction thereof	2¢ per 10¢ or fraction thereof	1¢ per 5¢ or major fraction thereof	Same as Senate bill
Permanent use or lease of boxes or seats, and sales outside box office	11% of charge	30% of charge	20% of charge	Same as House bill	Same as House bill

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IV. EXCISE TAXES AND POSTAL RATES (Continued)

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
Cabarets	5% of charge	30% of charge	Same as Treasury proposal	20% of charge; exempted amounts paid by or for members of the armed forces of the United Nations	Same as Treasury proposal
Club dues and initiation fees	11% of charge	20% of charge	Same as Treasury proposal	Same as Treasury proposal	Same as Treasury proposal
Bowling alleys and billiard parlors:					
Rates	\$10 per year per alley \$10 per year per table	20% of charge \$20 per year per table	Same as Treasury proposal	\$20 per year per alley) \$20 per year per table)	Same as Senate bill
Exemption	Exempts alleys and tables in private homes	<u>1/</u>	Same as prior law	Extended exemption to tables in hospitals if no charge is made for their use	Same as Senate bill
Transportation of persons	10% of charge	25% of charge	15% of charge	Same as House bill	Same as House bill
Communications:					
Toll service	20% of charge	25% of charge	Same as Treasury proposal	Same as Treasury proposal	Same as Treasury proposal
Telegraph, etc.					
Domestic	15% of charge	20% of charge	25% of charge	Same as House bill	Same as House bill
International	10% of charge	<u>2/</u>	15% of charge	Same as prior law	Same as prior law
Leased wires, etc.	15% of charge	20% of charge	Same as Treasury proposal	25% of charge	Same as Senate bill
Wire and equipment services	5% of charge	<u>3/</u>	7% of charge	8% of charge	Same as Senate bill

1/ The Treasury did not object to the provision in the Senate bill.

2/ The Treasury was opposed to the provision in the House bill and recommended the retention of the 10% rate of the prior law.

3/ The Treasury took no position on the provision in the House and Senate bills.

IV. EXCISE TAXES AND POSTAL RATES (Continued)

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
Local telephone service	10% of charge	15% of charge	Same as Treasury proposal	Same as Treasury proposal	Same as Treasury proposal
Jewelry	10% of retail price	30% of retail price	20% of retail price (exempted silver-plated flatware)	20% of retail price (10% of retail price on watches retailing at not more than \$65 and alarm clocks retailing at not more than \$5)	Same as Senate bill; also exempts silver-plated flatware
Fur and fur-trimmed articles: Rate	10% of retail price	25% of retail price	Same as Treasury proposal	20% of retail price	Same as Senate bill
Articles made from pelts furnished by customer	Nontaxable	Taxable at the rate of 25% of fair retail market value of the article if it is not for resale by such customer	Same as Treasury proposal	Same as Treasury proposal except rate — 20%	Same as Senate bill
Luggage, handbags, wallets, etc.	10% of manufacturer's sales price on luggage only	25% of retail price	Same as Treasury proposal	15% of retail price	20% of retail price
Refund of manufacturer's tax	-	<u>1/</u>	No provision	Refunded manufacturer's tax paid on luggage in wholesalers' and retailers' inventories	No provision

1/ The Treasury was opposed to the provision in the Senate bill.

IV. EXCISE TAXES AND POSTAL RATES (Continued)

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
Toilet preparations	10% of retail price	25% of retail price	Same as Treasury proposal	20% of retail price	Same as Senate bill
Electric light bulbs and tubes	5% of manufacturer's sales price	<u>1/</u>	25% of manufacturer's sales price	15% of manufacturer's sales price	20% of manufacturer's sales price
Soft drinks	No tax	Bottled drinks, 1¢ per each 5¢ of intended retail price; the equivalent taxes of \$1 per gal. on sirup and 25¢ per lb. on carbonic acid gas used in unbottled soft drinks	No tax	No tax	No tax
Candy and chewing gum	No tax	Articles intended to retail from 5¢ to 15¢ per bar or package, 1¢ per each 5¢ of intended retail price; other items, the equivalent tax of 35% of manufacturer's sales price	No tax	No tax	No tax
Pari-mutuel wagering	No tax	<u>2/</u>	5% of amount wagered	No tax	No tax

1/ The Treasury was in favor of the provision in the Senate bill as compared to the House bill but originally favored no increase.
2/ The Treasury took no position on the provision in the House bill.

IV. EXCISE TAXES AND POSTAL RATES (Continued)

Item	Prior law	Treasury : proposal :	House bill	Senate bill	Revenue Act of 1943
Transportation of property	3% of charge (4¢ per short ton on coal)	Repeal	Same as prior law	Same as prior law	Same as prior law
Payments by or to the War Shipping Administration	Taxable under some circumstances	<u>1/</u>	Same as prior law	Exempted all payments for transportation by water from one point to another in the United States, except points on Great Lakes	Same as Senate bill
Vacuum cleaners	10% of manufacturer's sales price	<u>2/</u>	Same as prior law	Repealed	Repeals
Playing cards:					
Exemption	Exempt when exported to a foreign country	<u>3/</u>	Same as prior law	Extended exemption to playing cards exported to a possession of the United States (or a Territory of the United States during the National Emergency if for use of members of the armed forces of the United States)	Same as Senate bill

- 1/ The Treasury was in favor of the provision in the Senate bill if the tax on transportation of property was not repealed as recommended.
- 2/ The Treasury was opposed to the provision in the Senate bill.
- 3/ The Treasury was in favor of the provision in the Senate bill.

IV. EXCISE TAXES AND POSTAL RATES (Continued)

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
POSTAL RATES					
First class, local	2¢ per oz.	<u>1/</u>	3¢ per oz.	Same as House bill	Same as House bill
Airmail	6¢ per oz.	<u>1/</u>	8¢ per oz.	Same as House bill	Same as House bill
Third class	1¢ and 1½¢ per 2 oz.	<u>1/</u>	2¢ and 3¢ per 2 oz.	Same as prior law	Same as prior law
Fourth class	Various	<u>1/</u>	Increased by 3% of present law rate or 1¢, whichever is greater	Same as House bill	Same as House bill
Registered mail	15¢ to \$1 per article	<u>1/</u>	20¢ to \$1.35 per article	Same as House bill	Same as House bill
Insured mail	5¢ to 35¢ per article	<u>1/</u>	10¢ to 70¢ per article	Same as House bill	Same as House bill
C.O.D. mail	12¢ to 45¢ per article	<u>1/</u>	24¢ to 90¢ per article	Same as House bill	Same as House bill
Money orders	6¢ to 22¢ per article	<u>1/</u>	10¢ to 37¢ per article	Same as House bill	Same as House bill

1/ The Treasury took no position on the postal rate changes in the House and Senate bills.

IV. EXCISE TAXES AND POSTAL RATES (Continued)
(Technical and Administrative Amendments)

Item	Prior Treasury law proposal	House bill	Senate bill	Revenue Act of 1943
Effective date of excise changes:				
Manufacturers' and retailers' excises, admissions, alcoholic beverages, long distance telephone messages, telegraph and cable dispatches, transportation of persons, pari-mutuel wagering 1/	- 2/	First day of first month beginning more than 10 days after enactment of Act. However, the increase in the cabaret tax becomes effective at 10 A.M. on such date, and the communications tax increases are applicable only to amounts paid for services rendered on or after such date.	Same as House bill	April 1, 1944 (Same as House bill)
Billiard and pool tables	- 2/	July 1, 1944	Same as House bill	Same as House bill
Bowling alleys	- 2/	First day of first month beginning more than 10 days after enactment of Act	July 1, 1944	Same as Senate bill
Leased wires, wire and equipment service, local telephone service	- 2/ 3/	Increased rates apply to bills rendered on or after the first day of the first month beginning more than 10 days after enactment of Act for services for which no previous bill was rendered. When bills rendered on or after such first day include charges for services previously rendered, increased rates do not apply to services rendered more than 2 months before said effective date	Increased rates apply to bills rendered on or after the first day of the second month beginning more than 10 days after enactment of Act for services for which no previous bill was rendered. When bills rendered on or after such first day include charges for services previously rendered, increased rates do not apply to services rendered more than 2 months before said effective date	Increased rates apply to bills rendered on or after May 1, 1944 for services for which no previous bill was rendered. When bills rendered on or after May 1, 1944 include charges for services previously rendered, increased rates shall not apply to services rendered more than 2 months before May 1, 1944 (Same as Senate bill)
1/ Tax on pari-mutuel wagering in House bill only.				
2/ No specific proposal; assumed that the customary practice (as provided in House bill) would be followed.				
3/ The Treasury was in favor of the provision in the Senate bill.				

IV. EXCISE TAXES AND POSTAL RATES (Continued)
(Technical and Administrative Amendments)

Item	: Prior : : law :	Treasury proposal	: House bill	: Senate bill	: Revenue Act of 1943
Effective date of postal rate changes	-	No proposal	Thirtieth day after enactment of Act	Same as House bill	March 26, 1944 (Same as House bill)
Termination of rate changes					
Excise and postal rate changes (except special yearly tax on billiard and pool tables and bowling alleys)	-	A date following termination of the war to be fixed by Congress	First day of first month beginning 6 months or more after termination of hostilities	Same as House bill	Same as House bill
Billiard and pool tables and bowling alleys -- special yearly tax <u>1/</u> <u>2/</u>	-	A date following termination of the war to be fixed by Congress	First day of first month beginning 6 months or more after termination of hostilities	June 30 next following the first day of the first month beginning 6 months or more after termination of hostilities	Same as Senate bill
Leases, conditional sales, existing contracts, etc.					
Increased rates	-	<u>1/</u>	Where lease, conditional sale, etc., was made and delivery was made before effective date of excise rate increase, tax rate is that in force before effective date of increase	Where lease, conditional sale, etc., was made, delivery was made, and part of consideration was paid before effective date of excise rate increase, tax rate is that in force before effective date of increase	Same as Senate bill
New taxes	-	No proposal	Where lease, conditional sale, etc., was made, delivery was made, and part of consideration was paid before effective date of new tax, no tax is imposed	Same as House bill	Same as House bill

1/ The Treasury was in favor of the provision in the Senate bill.

2/ Bowling alleys not subject to special yearly tax under Treasury proposal or House bill.

IV. EXCISE TAXES AND POSTAL RATES (Continued)
(Technical and Administrative Amendments)

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
Leases, conditional sales, existing contracts, etc. (continued)					
Existing contracts	-	No proposal	If contract made before effective date of tax increase, or imposition of new tax, for sale of article after such date does not provide for adding tax to contract price, but does not prohibit such addition, vendee shall pay such tax in lieu of vendor	Same as House bill	Same as House bill
Articles classifiable under more than one section	-	Where article subject to retail tax is classifiable under more than one section and rates of tax differ, highest rate shall prevail	Same as Treasury proposal	Same as Treasury proposal	Same as Treasury proposal
Tires and inner tubes: scope of term "rubber"	Tax applicable to tires and tubes made wholly or in part of "rubber"	Amend the term "rubber" to specifically include synthetic and substitute rubber	Same as Treasury proposal	Same as Treasury proposal	Same as Treasury proposal

IV. EXCISE TAXES AND POSTAL RATES (Continued)
(Technical and Administrative Amendments)

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
Sales to Federal Government					
Taxability	Tax-exempt	Tax sales to Federal Government, except sales of pistols and revolvers, firearms, shells, and cartridges, and radio receiving sets, but permit the Secretary of Treasury to authorize exemption if he determines that taxation will cause substantial burden or expense which can be avoided by granting tax exemption and that full benefit of such exemption will accrue to the United States ^{1/}	1. Federal exemption repealed for manufacturers' and retailers' excises, import taxes, pistols and revolvers, firearms, shells, and cartridges, electrical energy, communications services, transportation of persons and property 2. Exemption continued for articles sold under contracts entered into prior to the time sales become taxable	1. Same as House bill 2. Exemption continued for articles sold under contracts entered into prior to the time sales become taxable, or under any agreement supplemental to such contract bearing the same contract number 3. Secretary of Treasury may authorize exemption if he determines that imposition of taxes will cause substantial burden or expense which can be avoided by granting tax exemption and that full benefit of such exemption will accrue to the United States 4. Exemption continued for payments by Red Cross for communications services, transportation of property, and transportation of persons	1. Same as House bill 2. Same as Senate bill 3. Same as Senate bill 4. Same as Senate bill

^{1/} The discretionary power for the Secretary of the Treasury was proposed to the Senate Finance Committee.

IV. EXCISE TAXES AND POSTAL RATES (Continued)
(Technical and Administrative Amendments)

Item	Prior: law :	Treasury proposal :	House bill	Senate bill	Revenue Act of 1943
Sales to Federal Government (continued)					
Effective date of changes					
Manufacturers' excises (except radios, phonographs, etc.) import taxes, retailers' excises, electrical energy, long distance telephone messages, telegraph and cable dispatches	-	No proposal	Taxes apply to sales made or messages and dispatches originating on or after the first day of first month beginning 3 months or more after date of enactment of Act	Same as House bill	Taxes apply to sales made or messages and dispatches originating on or after June 1, 1944 (Same as House bill)
Pistols and revolvers; firearms, shells, and cartridges; radios, phonographs, etc.	-	No proposal	Taxes apply to sales made on or after the first day of the first month beginning 6 months or more after termination of hostilities	Same as House bill	Same as House bill
Leased wire, wire and equipment service, and local telephone service	-	No proposal	Taxes apply to amounts paid pursuant to bills rendered on or after the first day of the first month beginning 3 months or more after date of enactment of Act provided no previous bill was rendered for such service	Same as House bill	Taxes apply to amounts paid pursuant to bills rendered on or after June 1, 1944, provided no previous bill was rendered for such service (Same as House bill)
Transportation of property and persons	-	No proposal	Taxes apply to amounts paid on or after the first day of the first month beginning 3 months or more after date of enactment of Act	Same as House bill	Taxes apply to amounts paid on or after June 1, 1944 (Same as House bill)

IV. EXCISE TAXES AND POSTAL RATES (Concluded)
(Technical and Administrative Amendments)

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
Floor stocks taxes on alcoholic beverages					
Returns	-	No proposal	Due on or before 30th day following effective date of tax increases	Same as House bill	Due on or before May 1, 1944 (Same as House bill)
Payment of tax	-	-	Due on or before first day of third month following effective date of tax increases. Payment may be extended to not later than first day of 10th month after effective date of tax increase upon filing of approved bond	Same as House bill	Due on or before July 1, 1944. Payment may be extended to not later than February 1, 1945 upon filing of approved bond (Same as House bill)
Drawback on distilled spirits used in nonbeverage products					
Spirits to which increased rate of drawback is applicable	-	No proposal	Spirits upon which \$9 per proof gal. tax has been paid	Same as House bill	Same as House bill
Time of eligibility for drawback:					
General rule	When products are sold or otherwise transferred for use	When spirits are used in manufacture of non-beverage products <u>1/</u>	Same as prior law	Same as Treasury proposal	Same as Treasury proposal
Spirits used prior to effective date of distilled spirits tax increase and for which no claim has been filed under prior law	-	<u>2/</u>	No provision	Quarter in which effective date of distilled spirits tax increase occurs	Quarter beginning April 1, 1944 (Same as Senate bill)

1/ Proposed to the Senate Finance Committee.

2/ The Treasury was in favor of the provision in the Senate bill.

V. ESTATE AND GIFT TAXES

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
ESTATE TAX					
Exemption	\$60,000	\$40,000	Same as prior law	Same as prior law	Same as prior law
Rates:					
Minimum rate:	3% on first \$5,000 of net taxable estate	5% on first \$5,000 of net taxable estate	Same as prior law	Same as prior law	Same as prior law
Maximum rate:	77% on portion of net taxable estate over \$10,000,000	80% on portion of net taxable estate over \$1,500,000	Same as prior law	Same as prior law	Same as prior law
Valuation of unlisted stocks and securities for estate tax purposes	Regulations provide for valuation of securities on the basis of all pertinent factors	<u>1/</u>	In the case of corporate securities the value of which cannot be obtained because of not being listed or traded, there shall be taken into consideration, in addition to all other factors, the value of stock or securities of comparable corporations which are listed on an exchange	Same as prior law	Same as House bill, except for technical changes

1/ The Treasury was opposed to the provision in the House bill.

V. ESTATE AND GIFT TAXES (Continued)

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
GIFT TAX					
Rate	3/4 of estate tax rates	3/4 of estate tax rates	Same as prior law	Same as prior law	Same as prior law
Appointment of new trustees of certain discretionary trusts	Taxable gift	<u>1/</u>	In the case of a trust (a) created prior to Sept. 1, 1943 on which a gift tax was paid if created after the effective date of the gift tax, or would have been subject to gift tax had the trust been created after the effective date of the gift tax, (b) of which the grantor is not a named beneficiary, and (c) no part of the income of which is, under Section 166, includible in computing the net income of the grantor, then (1) no appointment, prior to Jan. 1, 1945, of new, successor, or additional trustees, (2) no vesting prior to January 1, 1945, in the trustees of discretion as to the selection of beneficiaries or the distribution of the corpus or income of the trust, and (3) no exercise, prior to Jan. 1, 1945, by the trustees of any such discretion, shall be deemed to constitute a transfer of property for gift tax purposes	In the case of a trust created prior to Jan. 1, 1939, if on and after Jan. 1, 1939, no power to revest title to the property could be exercised either by the grantor alone, or in conjunction with any other person not having a substantial adverse interest in the disposition of the property or the income therefrom, then a relinquishment by the grantor on or after Jan. 1, 1939 and prior to Jan. 1, 1945 of power or control with respect to the distribution of such property or the income therefrom, shall not be deemed to constitute a transfer of property for gift tax purposes: provided that if the trust was created or the power to revest the property in the grantor was relinquished while a gift tax law was in effect, the amendment is inapplicable unless (1) a gift tax was paid with respect to such creation or relinquishment which has not been credited or refunded, or a gift tax return was filed and the value reported did not exceed the specific exemption and exclusion claimed on that return, and (2) the grantor consents, in accordance with regulations prescribed, to treat the original transfer as having been a transfer of property subject to gift tax	Same as Senate bill with technical changes

^{1/} The Treasury did not object to the provision in the Revenue Act of 1943.

EXHIBIT 3

Comparison of estate tax rate under prior law, Treasury proposals,
House and Senate bills, and Revenue Act of 1943 1/

Net estate after specific exemption (000) 2/	Bracket rate		Total estate tax cumulative	
	Present law 3/	Treasury proposal	Present law 3/	Treasury proposal
Not over \$ 5	3%	5%	\$ 150	\$ 250
5 - 10	7	8	500	650
10 - 15	11	12	1,050	1,250
15 - 20	11	16	1,600	2,050
20 - 30	14	20	3,000	4,050
30 - 40	18	24	4,800	6,450
40 - 50	22	28	7,000	9,250
50 - 60	25	31	9,500	12,350
60 - 70	28	34	12,300	15,750
70 - 100	28	37	20,700	26,850
100 - 150	30	40	35,700	46,850
150 - 200	30	43	50,700	68,350
200 - 250	30	45	65,700	90,850
250 - 300	32	48	81,700	114,850
300 - 350	32	51	97,700	140,350
350 - 400	32	54	113,700	167,350
400 - 450	32	57	129,700	195,850
450 - 500	32	60	145,700	225,850
500 - 600	35	63	180,700	288,850
600 - 700	35	66	215,700	354,850
700 - 800	35-37	69	251,700	423,850
800 - 900	37	72	288,700	495,850
900 - 1,000	37	75	325,700	570,850
1,000 - 1,250	39	78	423,200	765,850
1,250 - 1,500	42	79	528,200	963,350
1,500 - 2,000	45	80	753,200	1,363,350
2,000 - 2,500	49	80	998,200	1,763,350
2,500 - 3,000	53	80	1,263,200	2,163,350
3,000 - 4,000	56-59	80	1,838,200	2,963,350
4,000 - 5,000	63	80	2,468,200	3,763,350
5,000 - 6,000	67	80	3,138,200	4,563,350
6,000 - 7,000	70	80	3,838,200	5,363,350
7,000 - 8,000	73	80	4,568,200	6,163,350
8,000 - 9,000	76	80	5,328,200	6,963,350
9,000 - 10,000	76	80	6,088,200	7,763,350
Over 10,000	77	80	-	-

Treasury Department, Division of Tax Research

March 10, 1944

- 1/ Before deduction of credit for State death taxes.
- 2/ The specific exemption under present law is \$60,000, under the Treasury proposal \$40,000.
- 3/ Same as prior law, since no change in rates was made by House bill, Senate bill and Revenue Act of 1943.

EXHIBIT 4

Amount of estate taxes and effective rates under prior law, Treasury proposals, House and Senate bills, and Revenue Act of 1943 ^{1/}

Net estate before specific exemption (000) ^{2/}	Amount of tax			Effective rate		
	Present law ^{3/}	Treasury proposal	Increase under Treasury proposal	Present law ^{3/}	Treasury proposal	Increase under Treasury proposal
\$ 50	\$ 0	\$ 650	\$ 650	-	1.3%	1.3%
60	0	2,050	2,050	-	3.4	3.4
80	1,600	6,450	4,850	2.0%	8.1	6.1
100	4,800	12,350	7,550	4.8	12.4	7.6
150	17,900	30,850	12,950	11.9	20.6	8.6
200	32,700	51,150	18,450	16.4	25.6	9.2
400	94,500	145,750	51,250	23.6	36.4	12.8
600	159,700	263,650	103,950	26.6	43.9	17.3
800	229,700	396,250	166,550	28.7	49.5	20.8
1,000	303,500	540,850	237,350	30.4	54.1	23.7
2,000	726,200	1,331,350	605,150	36.3	66.6	30.3
4,000	1,802,800	2,931,350	1,128,550	45.1	73.3	28.2
6,000	3,098,000	4,531,350	1,433,350	51.6	75.5	23.9
10,000	6,042,600	7,731,350	1,688,750	60.4	77.3	16.9
20,000	13,742,000	15,731,350	1,989,350	68.7	78.7	9.9
40,000	29,142,000	31,731,350	2,589,350	72.9	79.3	6.5
100,000	75,342,000	79,731,350	4,389,350	75.3	79.7	4.4

^{1/} Before deduction of credit for State death taxes.

^{2/} The specific exemption under the present law, is \$60,000, under the Treasury proposal \$40,000.

^{3/} Same as prior law, since no change in rates or specific exemption was made by House bill, Senate bill and Revenue Act of 1943.

VI. SOCIAL SECURITY TAXES

Item	Prior law	Treasury : proposal :	House bill	Senate bill	Revenue Act of 1943
Old-age and survivors' insurance:					
Employee contributions	Increase from 1% to 2% in 1944 <u>1/</u>	<u>2/</u>	Same as prior law	1% for 1944 <u>1/</u>	Same as Senate bill
Employer contributions	Increase from 1% to 2% in 1944 <u>1/</u>	<u>2/</u>	Same as prior law	1% for 1944 <u>1/</u>	Same as Senate bill
Federal unemployment taxes:					
Credit for contributions under State laws	The credit for State unemployment insurance contributions is allowable in full only with respect to those paid on or before the last day upon which a Federal unemployment tax return is required to be filed	Same as prior law	Same as prior law	Same as prior law	Same as prior law
	In the case of contributions made after the date on which a Federal tax return is due but before the following July 1, the credit is 90% of what it would otherwise be. Except in special cases no credit is allowed with respect to contributions made after July 1	<u>3/</u>	In the case of contributions made any time after the date on which a Federal tax return is due the credit is 90% of what it would otherwise be. With respect to prior years, in some cases the credit is allowed in full regardless of the date of contribution, and in other cases the credit is limited to 90% of the amount which would have been allowed if the contribution had been made prior to the due date of the Federal return	Same as House bill	Same as House bill

1/ For 1945 the rate is scheduled to be 2%, and for subsequent years higher rates are scheduled.
2/ The Treasury opposed the provision in the Senate bill.
3/ The Treasury recommended the provision in the House bill.

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PRINCIPAL PROVISIONS OF THE REVENUE ACT OF 1943 COMPARED WITH PRIOR LAW,
TREASURY PROPOSALS, HOUSE BILL, AND SENATE BILL

Division of Tax Research, Treasury Department
March 1, 1944

Regraded Unclassified

Principal provisions of the Revenue Act of 1943 compared with prior law,
Treasury proposals, House bill, and Senate bill

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I. INDIVIDUAL INCOME TAXES

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
VICTORY TAX					
Base, rate, and collection	5% of "Victory tax net income" in excess of \$324. "Victory tax net income" is gross income (excluding capital gains and losses and partially tax-exempt interest) minus deductions for (a) business and trade expenses, (b) other expenses incurred in the production of income, and (c) alimony	Repeal Victory tax, with offsetting changes under the income tax	Repealed Victory tax, substituting a minimum tax and adjustments in the regular income tax	Retained Victory tax with certain modifications but reduced rate to 3%	Same as Senate bill
Credits against Victory tax	The following amounts of tax:	Repeal	Repealed	Repealed	Repeals
Single person		(For 1943, recommended change in Victory tax to accord with the assumption that all postwar credits are taken currently. Adopted in Public Law 178, approved October 28, 1943, providing for automatic current allowance of postwar credits)			
Not head of family	25% or \$500, whichever is less				
Head of family	40% or \$1000, whichever is less				
Estate or trust	25% or \$500, whichever is less				
Married person:					
If separate returns are filed by each spouse	40% or \$500, whichever is less				
If a separate return is filed by one spouse and no return is filed by the other spouse, or if a joint return is filed	40% or \$1000, whichever is less				
For each dependent	2% or \$100, whichever is less				

I. INDIVIDUAL INCOME TAXES (Continued)

2

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
INCOME TAX					
Rates:					
Normal tax	5%	1/	10%, unless minimum tax applies	Same as prior law	Same as prior law
Surtax (see schedule in Exhibit 1)	13% on first \$2,000 to 82% on excess over \$200,000	21% on first \$500 to 90% on excess over \$200,000 (proposal, 10/4/43) 22% on first \$500 to 87% on excess over \$200,000 (alternative proposal A, 11/29/43) 24% on first \$500 to 88% on excess over \$200,000 (alternative proposal B, 11/29/43)	13% on first \$2,000 to 84% on excess over \$200,000	Same as prior law	Same as prior law
Postwar credit	No provision	Suggested as a possibility, a postwar credit to apply primarily at the lower levels of income on two different bases having different over-all revenue effects <u>Suggestion I</u> was: 50% of the first \$50 of tax, plus 25% of the next \$50, plus 5% of the balance, with a maximum credit of \$250 <u>Suggestion II</u> was: 50% of the first \$50 of tax, plus 25% of the next \$150, plus 10% of the balance, with a maximum credit of \$400	No provision	No provision	No provision
Minimum tax	No provision	1/	3% of net income in excess of credits of \$500 for a single person or a married person filing a separate return, \$700 for a married couple filing a joint return, or a head of family, \$100 for each dependent, and amount of partially tax-exempt interest	No provision	No provision

1/ The Treasury was opposed to the provision in the House bill.

I. INDIVIDUAL INCOME TAXES (Continued)

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
Personal exemptions for regular income tax					
Single person	\$500	Same as prior law	Same as prior law	Same as prior law	Same as prior law
Head of family	\$1,200	\$1,100	Same as prior law	Same as prior law	Same as prior law
married couple:					
If joint return is filed or if one spouse has no gross income	\$1,200	\$1,100	Same as prior law	Same as prior law	Same as prior law
If each spouse files separate return	\$1,200 may be taken by either spouse or divided between them in any proportion	\$1,100 may be taken by either spouse or divided between them in any proportion	\$500	Same as prior law	Same as prior law
Credit for each dependent	\$350	\$300	Same as prior law	Same as prior law	Same as prior law
Earned income credit	10% of earned net income, but not in excess of 10% of net income; maximum \$1,400 (first \$3,000 of net income is deemed earned)	Repeal	Repealed	Repealed	Repeals
Date determining marital and dependent status	Taxpayer required to prorate exemptions and credits if his status changed during the taxable year	<u>1/</u>	July 1 of taxable year (or last day of taxable year if July 1 not included)	Same as prior law	Same as House bill

1/ The Treasury recommended the provision in the House bill.

I. INDIVIDUAL INCOME TAXES (Continued)

Item	Prior law	Treasury : proposal :	House bill	Senate bill	Revenue Act of 1943
Deduction for Federal excise taxes	Allowed as a deduction to the taxpayer upon whom the tax is legally imposed	1/	Disallowed, except where the tax paid is a trade or business expense or is incurred in the production of income	Same as House bill	Same as House bill
Special deduction for blind	No deduction	2/	\$500. Individual's status for purpose of the deduction determined as of July 1 of the taxable year	Same as House bill	Same as House bill
Exclusions from gross income: Mustering-out payments for military and naval personnel	No exclusion	2/	Same as prior law	Excluded from gross income amounts received during the taxable year as mustering-out payments for service in the military or naval forces of the United States	Same as Senate bill
Cost-of-living allowances paid to civilian officers and employees of the Federal Government stationed outside continental United States	No exclusion	3/	Same as prior law	Excluded from gross income amounts received as cost-of-living allowances or post allowances by (1) clerks or employees in the Foreign Service of the United States; (2) ambassadors, ministers, diplomatic, consular, or Foreign Service officers; and (3) other civilian officers or employees of the Government of the U.S. stationed outside continental United States	Same as Senate bill

1/ The Treasury recommended the provision in the House bill.

2/ The Treasury took no position on the provision in the Revenue Act of 1943.

3/ The Treasury took no position on the provision in the Senate bill.

Item	Prior law	Treasury : proposal :	House bill	Senate bill	Revenue Act of 1943
Back pay attributable to prior years	No provision	<u>1/</u>	Limited the tax on back pay received by an individual because of an alleged unfair labor practice under the National Labor Relations Act, or a violation of the Fair Labor Standards Act, or retroactive increase approved by the National War Labor Board to such tax as would be payable if the back pay were received in the years for which paid	No provision	If back pay exceeds 15% of gross income, the maximum tax attributable to such back pay shall be the tax resulting from inclusion of such amounts in the gross income of the taxable years to which the back pay is attributable. Back pay is defined to include (a) remuneration deferred due to a variety of causes including bankruptcy or receivership of the employer, litigation, and lack of funds where the employer is a government, (b) retroactive pay increases recommended or approved by a government agency, and (c) payments arising out of violation of laws pertaining to fair labor standards or practices
Limitation of deductions attributable to business operated by individuals at a loss for 5 consecutive years	No limitation	<u>2/</u>	Same as prior law	In the case of sole proprietors and partners, limited deductions attributable to business operated at a loss for 5 consecutive years, regardless of size of loss, to a net loss of \$20,000 in any one year, and disallowed the net operating loss deduction. Required redetermination of the tax for each affected year, but not for taxable years beginning prior to 1944.	In the case of sole proprietors and partners, limits deductions (other than taxes and interest) attributable to business operated at a loss of more than \$50,000 for 5 consecutive years to a net loss of \$50,000 in any one year; and disallows the net operating loss deduction. Requires redetermination of the tax for each affected taxable year, but not for taxable years beginning prior to 1944.

1/ The Treasury was in favor of the provision in the Revenue Act of 1943.

2/ The Treasury took no position on this provision.

I. INDIVIDUAL INCOME TAXES (Continued)

6

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
Excess of deductions of estates and trusts	If during the first 65 days of the taxable year, income of an estate or trust for a prior period is distributed to a beneficiary, such distribution to the extent of the income for that part of the period not within the current year (but not exceeding the last 12 months) shall be deemed to have been made on the last day of the prior taxable year and shall be taxable to the beneficiary. If on a date more than 65 days after the beginning of the taxable year income of an estate or trust for a prior period is distributed to a beneficiary, such distribution is taxable to the beneficiary to the extent of the income for the last 12 months of such period	1/	Same as prior law	Same as prior law, with a new limitation to the effect that if the payments during the taxable year exceed the net income for such year, the excess shall not be includible in the net income of the beneficiary	Same as Senate bill
Trusts for maintenance or support of certain beneficiary	According to the decision in <u>Helvering v. Stuart</u> , 317 U. S. 154 (1942), if income from a trust may, in the discretion of persons lacking a substantial adverse interest, be used to maintain or support a beneficiary whom the grantor is legally obligated to maintain or support, it is taxable to the grantor regardless of whether or not it is actually so applied	2/	In the case of discretionary trusts, the income is taxable to the grantor only to the extent that it is actually applied in discharging his obligation of maintenance or support	Same as House bill, with certain technical changes	Same as Senate bill

1/ The Treasury recommended the provision in the Senate bill.

2/ The Treasury took no position on the provision in the House bill.

I. INDIVIDUAL INCOME TAXES (Continued)

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1945
WITHHOLDING AT SOURCE ON WAGES					
Withholding rates and procedure	Provided, at the election of the employer, alternative methods for computing the tax withheld. Under the first or "exact computation" method, the amounts required to be withheld were 20% of the excess of each payment of wages over the family status withholding exemptions, or 3% of the excess of each payment of wages over the Victory tax withholding exemption, whichever resulted in the greater tax. Under the second or "wage table" method, the amounts required to be withheld were determined in accordance with tables provided in the law	Extend withholding to salaries and wages in excess of the first bracket surtax net income by withholding at graduated rates	Retained prior law withholding rates under exact computation method, but adjusted the withholding exemptions by slight amounts, and revised somewhat the wage bracket withholding tables	Same as prior law	Same as prior law

Item	Prior law	Treasury : proposal :	House bill	Senate bill : Same as prior law	Revenue Act : of 1943 : Same as prior law
Annual withholding exemptions		1/			
For 20% rate:					
Single person	\$624		\$528		
Married person whose spouse claims no exemption, or head of family	\$1,248		\$1,272		
Married person whose spouse claims an exemption	\$624		\$528		
Each dependent	\$312		\$372		
For 3% rate	\$624		\$528 for a single person, or married person whose spouse claims an exemption; \$744 for a married person whose spouse claims no exemption, or head of family; \$108 for each dependent		
Withholding exemption certificate showing change of employee status	Permitted certificates furnished by reason of change of status to be given effect at any time after the date of furnishing; and required that they be given effect by the following January 1 or July 1 which falls at least 30 days from the date of furnishing	2/	Same as prior law, but prohibits any certificates furnished by reason of change of status occurring after July 1 from being given effect before the following January 1	Same as prior law	Same as House bill

1/ The Treasury did not object to the provision in the House bill.

2/ The Treasury was in favor of the provision in the House bill.

I. INDIVIDUAL INCOME TAXES (Continued)

9

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
Withholding on nonresident aliens brought into the United States under authority of the War Manpower Commission	Treated same as other nonresident aliens: withholding at rate of 30% (Prior to July 1, 1943, the 30% rate was applied to the gross amount of wages. A regulation issued by the Bureau of Internal Revenue in July 1943, however, allows such individuals the benefit of the personal exemption of \$500, prorated upon the basis of \$1.40 per day for the period of employment during any portion of which personal services are performed within the United States.)	1/	Same as prior law	Withholding at rate of 10% on gross amount of wages	Same as Senate bill
Second anti-windfall provision: Additional increase in 1943 tax where income is substantially increased in comparison with income for base year	Where the surtax net income for 1942 or 1943 exceeds by more than \$20,000 the highest surtax net income received in any one of the base years (1937-1940 inclusive) the tax forgiveness is limited to an amount not in excess of a tentative tax for 1942 or 1943 whichever year had the lower tax liability (without regard to the Current Tax Payment Act) computed on the amount of surtax net income for the base year plus \$20,000	2/	Same as prior law	Repealed	Repeals

- 1/ The Treasury was in favor of the provision in the Senate bill.
2/ The Treasury did not object to the provision in the Senate bill.

I. INDIVIDUAL INCOME TAXES (Continued)

Item	Prior law	Treasury : proposal	House bill	Senate bill	Revenue Act of 1943
Penalties in connection with estimated tax:					
Failure to file declaration	10% of the tax	1/	Same as prior law	5% of the unpaid amount of each installment due but unpaid plus 1% for each month or part of a month (except the first) during which such amount remains unpaid, up to a maximum of 10% of the unpaid amount of such installment	Same as Senate bill
Failure to pay installment	\$2.50 or 2 1/2% of the tax, whichever is greater, for each installment with respect to which such failure occurs	1/	Same as prior law	Same as above, but penalty shall not apply with respect to any period with respect to which the penalty for failure to file a declaration is applicable	Same as Senate bill
Substantial underestimate	6% of entire shortage in estimate (but not more than the amount by which the estimate falls short of 80% of the tax, or, in the case of farmers, 66-2/3% of the tax)	1/	Same as prior law	Prior law penalties retained, but made inapplicable if the estimated tax is computed on the preceding year's income at current year's rates and exemptions, and is paid on time in equal quarterly installments or is paid ahead of time, or, in the case of farmers, is paid in full on or before the 15th day of the last month of the taxable year.	Same as Senate bill

1/ The Treasury was in favor of the provision in the Senate bill.

EXHIBIT 1
Comparison of surtax rates under prior law, the Treasury proposal of October 4, 1943, and two alternative
schedules, the House and Senate bills, and the Revenue Act of 1943: 1/

11

Surtax net income (In thousands of dollars)			Prior law	Treasury proposal: October 4, 1943	Treasury alternative: proposal A 2/	Treasury alternative: proposal B 2/	House bill and Senate bill and Revenue Act of 1943
Over	.5	not over	13 %	21 %	22 %	24 %	13 %
"	1.0	"	13	24	25	26	13
"	1.5	"	13	27	28	28	13
"	2	"	13	30	31	31	13
"	4	"	16	35	36	36	16
"	6	"	20	40	40	40	20
"	8	"	24	45	43	40	23
"	10	"	28	49	46	44	27
"	12	"	32	53	49	44	31
"	14	"	36	57	52	47	36
"	16	"	40	61	55	47	40
"	18	"	43	65	58	50	43
"	20	"	46	68	60	50	46
"	22	"	49	71	62	53	49
"	26	"	52	74	64	55	52
"	32	"	55	77	66	58	55
"	38	"	58	79	68	61	58
"	44	"	61	81	70	64	62
"	50	"	63	83	72	66	65
"	60	"	66	85	74	69	68
"	70	"	69	86	76	72	71
"	80	"	72	87	78	75	74
"	90	"	75	88	80	78	77
"	100	"	77	88	82	81	80
"	150	"	79	90	84	84	82
"	200	"	81	90	86	87	83
Over 200			82	90	87	88	84
Normal tax			6	6	6	6	10

Same as prior law

- 1/ The prior law exemptions of \$500 for a single person, \$1,200 for a married couple, and \$350 for each dependent are retained under the House and Senate bills and the Revenue Act of 1943. Under the Treasury proposals the exemptions are \$500, \$1,100 and \$300, respectively. The Victory tax and earned income credit are both eliminated under the Treasury proposals and the House bill, whereas only the earned income credit is eliminated under the Senate bill and the Revenue Act of 1943.
- 2/ Alternative schedules submitted to the Committee on Finance, November 29, 1943.

EXHIBIT 2 - Table 1

12

Amounts of individual income tax under prior law, Treasury proposal of October 4, 1943,
and two alternative schedules, the House and Senate bills, and Revenue Act of 1943

Single person - no dependents

Personal exemption - \$500

Net income before : Prior law including: Treasury proposal: Treasury proposal A: Treasury proposal B: personal exemption: net Victory tax 1/; October 4, 1943 : November 29, 1943 : November 29, 1943 : House bill : Senate bill and Revenue Act of 1943							
\$	500	-	-	-	-	-	-
	600	17	27	28	30	23	20
	800	62	81	84	90	69	65
	900	85	108	112	120	92	87
	1,000	107	135	140	150	115	110
	1,100	130	165	171	182	138	132
	1,200	153	195	202	214	161	154
	1,500	220	285	295	310	250	221
	1,600	243	318	329	344	283	244
	2,000	333	450	465	480	345	333
	2,500	448	630	650	665	460	445
	3,000	574	835	860	875	590	571
	4,000	829	1,245	1,280	1,295	850	825
	5,000	1,105	1,680	1,720	1,735	1,130	1,098
	6,000	1,401	2,140	2,180	2,195	1,430	1,391
	8,000	2,052	3,135	3,145	3,115	2,075	2,038
	10,000	2,783	4,215	4,170	4,095	2,795	2,765
	12,500	3,802	5,670	5,540	5,345	3,800	3,778
	15,000	4,968	7,265	6,985	6,670	4,970	4,931
	20,000	7,326	10,800	10,180	9,425	7,620	7,548
	25,000	10,644	14,710	13,620	12,410	10,630	10,525
	50,000	28,058	36,205	32,280	29,345	27,985	27,543
	75,000	48,001	59,035	52,650	48,650	48,040	46,931
	100,000	69,665	82,575	74,230	69,770	69,910	68,040
	500,000	441,853	466,570	444,205	443,235	444,390	431,348
	1,000,000	899,500 2/	946,570	909,205	913,235	900,000 2/	888,015
	5,000,000	4,499,500 2/	4,788,570	4,629,205	4,673,235	4,500,000 2/	4,500,000 2/

1/ Maximum earned net income assumed. Victory tax net income assumed to be ten-ninths of net income.
2/ Taking into account maximum effective rate limitation of 90 percent.

Regraded Unclassified

EXHIBIT 2 - Table 1 a

13

Effective rates of individual income tax under prior law, Treasury proposal of October 4, 1943, and two alternative schedules, House and Senate bills, and Revenue Act of 1943

Single person - no dependents

Personal exemption - \$500

Met income before : Prior law including: Treasury proposal: Treasury proposal A: Treasury proposal B: House : Senate bill and personal exemption: net Victory tax 1/: October 4, 1943 : November 29, 1943 : November 29, 1943 : bill : Revenue Act of 1943						
\$						
500	-	-	-	-	-	-
800	2.8%	4.5 %	4.7 %	5.0 %	3.3 %	5.3%
800	7.3	10.1	10.5	11.3	8.6	8.1
900	9.4	12.0	12.4	13.3	10.2	9.7
1,000	10.7	13.5	14.0	15.0	11.5	11.0
1,100	11.8	15.0	15.5	16.5	12.5	12.0
1,200	12.8	16.3	16.8	17.8	13.4	12.8
1,500	14.7	19.0	19.7	20.7	15.3	14.7
1,800	15.2	19.9	20.6	21.5	15.9	15.3
2,000	16.7	22.5	23.3	24.0	17.3	16.7
2,500	17.8	25.2	26.0	26.6	18.4	17.9
3,000	19.1	27.8	29.7	29.2	19.7	19.0
4,000	20.7	31.1	32.0	32.4	21.3	20.6
5,000	22.1	33.6	34.4	34.7	22.6	22.0
6,000	23.4	35.7	36.3	36.6	23.8	23.2
8,000	25.7	39.2	39.3	38.9	25.9	25.5
10,000	27.8	42.2	41.7	41.0	28.0	27.7
12,500	30.4	45.4	44.2	42.8	30.4	30.2
15,000	33.1	48.4	46.6	44.5	33.1	32.9
20,000	33.1	54.0	50.9	47.1	33.1	37.7
25,000	42.6	58.9	54.5	49.6	42.5	42.1
50,000	56.1	72.2	64.6	58.7	56.0	55.1
75,000	64.0	78.7	70.2	64.9	64.1	62.3
100,000	69.7	82.6	74.2	69.8	69.9	69.0
500,000	89.4	93.3	88.8	88.6	89.9	88.3
1,000,000	90.0 2/	94.7	90.9	91.3	90.0 2/	89.8
5,000,000	90.0 2/	95.7	92.6	93.5	90.0 2/	90.0 2/

1/ Maximum earned net income assumed. Victory tax net income assumed to be ten-ninths of net income.

2/ Taking into account maximum effective rate limitation of 90 percent.

Regraded Unclassified

EXHIBIT 2 - Table 2

14

Amounts of individual income tax under prior law, Treasury proposal of October 4, 1943,
and two alternative schedules, House and Senate bills, and Revenue Act of 1943

Married person - no dependents

Personal exemptions: Prior law, House and Senate bills, and Revenue Act of 1943 - \$1,200; Treasury proposals - \$1,100

Net income before : Prior law including: Treasury proposal: Treasury proposal A: Treasury proposal B:				House	Senate bill and
personal exemption: net Victory tax 1/: October 4, 1943 : November 29, 1943 : November 29, 1943 :				bill	: Revenue Act of 1943
\$ 600	\$ 1	-	-	-	\$ 1
800	9	-	-	\$ 3 2/	9
1,000	15	-	-	9 2/	15
1,100	18	-	-	12 2/	18
1,200	21	27	28	15 2/	21
1,500	79	100	112	69	83
1,600	101	135	140	92	111
1,800	144	195	202	138	155
1,900	166	225	233	161	178
2,000	197	255	264	194	200
2,500	297	417	431	299	312
3,000	405	534	613	414	423
4,000	647	999	1,028	668	671
5,000	894	1,409	1,448	923	924
6,000	1,173	1,864	1,904	1,220	1,209
8,000	1,780	2,829	2,851	1,844	1,828
10,000	2,467	3,685	3,688	2,536	2,527
12,500	3,437	5,316	5,200	3,513	3,512
15,000	4,533	6,637	6,332	4,628	4,617
20,000	7,100	10,356	9,784	7,228	7,194
25,000	10,035	14,230	13,200	10,198	10,119
50,000	27,075	35,571	31,812	28,913	27,060
75,000	46,955	58,477	52,146	49,164	46,585
100,000	68,584	82,005	73,702	69,248	67,459
500,000	440,747	465,994	443,647	443,732	430,732
1,000,000	899,000 3/	945,994	908,647	912,671	897,599
5,000,000	4,499,000 3/	4,785,994	4,628,647	4,372,671	4,500,000 3/

1/ Maximum earned net income assumed. Victory tax net income assumed to be ten-ninths of net income.

2/ Minimum tax.

3/ Taking into account maximum effective rate limitation of 90 percent.

Regraded Unclassified

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FXHIBIT 2 - Table 2 a

15

Effective rates of individual income tax under prior law, Treasury proposal of October 4, 1943, and two alternative schedules, House and Senate bills, and Revenue Act of 1943

Married person - no dependents

Personal exemptions: Prior law, House and Senate bills, and Revenue Act of 1943 - \$1,200; Treasury proposals - \$1,100

Net income before : Prior law including: Treasury proposal : Treasury proposal A: Treasury proposal B:		House		Senate bill and	
personal exemption: net Victory tax 1/ : October 4, 1943 : November 29, 1943 : November 29, 1943 :		bill		: Revenue Act of 1943	
\$					
600	0.2 %	-	-	-	0.2 %
800	1.0	-	-	.4 % ^{2/}	1.0
1,000	1.5	-	-	.9 % ^{2/}	1.5
1,100	1.6	-	-	1.1 % ^{2/}	1.6
1,200	1.8	2.3 %	2.3 %	1.3 % ^{2/}	1.8
1,500	5.3	7.2	7.5	4.6	5.9
1,600	6.3	8.4	8.8	5.8	6.9
1,800	8.0	10.8	11.2	7.7	8.6
1,900	8.7	11.8	12.3	8.5	9.4
2,000	9.4	12.8	13.2	9.2	10.0
2,500	11.9	16.7	17.2	12.0	12.5
3,000	13.5	19.8	20.4	13.8	14.1
4,000	16.2	25.0	25.7	16.7	16.8
5,000	17.9	28.2	29.0	18.6	18.5
6,000	19.6	31.1	31.7	20.3	20.2
8,000	22.3	35.4	35.6	23.1	22.9
10,000	24.7	38.9	38.6	25.4	25.3
12,500	27.5	42.5	41.6	28.1	28.1
15,000	30.2	45.8	44.2	30.9	30.8
20,000	35.5	51.8	48.9	36.1	35.9
25,000	40.1	56.9	52.8	40.8	40.5
50,000	54.2	71.1	63.6	54.9	54.1
75,000	62.6	78.0	69.5	63.3	61.8
100,000	68.6	82.0	73.7	69.2	67.5
500,000	88.1	95.2	88.7	88.7	86.1
1,000,000	89.9 ^{3/}	94.6	90.9	90.0 ^{3/}	88.7
5,000,000	90.0 ^{3/}	95.7	92.6	90.0 ^{3/}	90.0 ^{3/}

1/ Maximum earned net income assumed. Victory tax net income assumed to be ten-ninths of net income.

2/ Minimum tax.

3/ Taking into account maximum effective rate limitation of 90 percent.

EXHIBIT 2 - Table 3

Amounts of individual income tax under prior law, Treasury proposal of October 4, 1943,
and two alternative schedules, House and Senate bills, and Revenue Act of 1943

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Married person - two dependents

Personal exemptions and dependent credits: Prior law, House and Senate bills, and Revenue Act of 1943 - \$1,200, \$350;
Treasury proposals - \$1,100, \$300

Net income before personal exemption	Prior law including: : net Victory tax 1/	Treasury proposal: : October 4, 1943	Treasury proposal A: : November 29, 1943	Treasury proposal B: : November 29, 1943	House : bill	Senate bill and : Revenue Act of 1943
\$ 600	\$ 1	-	-	-	-	\$ 1
800	7	-	-	-	-	8
1,000	14	-	-	-	3 2/	15
1,200	20	-	-	-	9 2/	21
1,500	29	-	-	-	18 2/	31
1,700	35	-	-	-	24 2/	38
1,800	39	\$ 27	\$ 28	\$ 30	27 2/	41
1,900	42	54	56	60	30 2/	45
2,000	58	81	84	90	33 2/	67
2,500	159	225	233	246	138	179
3,000	267	364	397	412	253	290
4,000	485	753	776	791	486	517
5,000	730	1,163	1,196	1,211	746	770
6,000	979	1,588	1,628	1,643	1,010	1,027
8,000	1,553	2,523	2,557	2,563	1,613	1,618
10,000	2,208	3,555	3,546	3,495	2,277	2,289
12,500	3,144	4,962	4,870	4,745	3,226	3,246
15,000	4,207	6,489	6,284	6,034	4,306	4,323
20,000	6,693	9,912	9,388	8,753	6,836	6,820
25,000	9,574	13,750	12,780	11,678	9,762	9,713
50,000	26,392	35,037	31,344	28,481	26,935	26,577
75,000	46,209	57,919	51,642	47,578	46,864	45,839
100,000	67,803	81,435	73,174	68,726	68,550	66,878
500,000	439,931	465,418	443,089	442,107	443,074	430,116
1,000,000	898,800 3/	945,418	908,089	912,107	900,000 3/	886,783
5,000,000	4,498,800 3/	4,785,418	4,628,089	4,672,107	4,500,000 3/	4,500,000 3/

1/ Maximum earned net income assumed. Victory tax net income assumed to be ten-ninths of net income.

2/ Minimum tax.

3/ Taking into account maximum effective rate limitation of 90 percent.

Effective rates of individual income tax under prior law, Treasury proposal of October 4, 1945,
and two alternative schedules, House and Senate bills, and Revenue Act of 1945

Married person - two dependents

Personal exemptions and dependent credits: Prior law, House and Senate bills, and Revenue Act of 1945 - \$1,200, \$350;
Treasury proposals - \$1,100, \$300

Net income before : Prior law including: Treasury proposal: Treasury proposal A: Treasury proposal B:	House	Senate bill and
personal exemption: net Victory tax 1/ : October 4, 1945 : November 29, 1943 : November 29, 1943 :	bill	Revenue Act of 1945
\$ 600 .2 %	-	.2 %
800 .9	-	1.0
1,000 1.4	-	1.5
1,200 1.7	.3 %	1.8
1,500 1.9	.8	2.1
1,700 2.1	1.2	2.2
1,800 2.2	1.4	2.3
1,900 2.2	1.5	2.4
2,000 2.9	1.6	3.4
2,500 6.4	1.7	7.2
3,000 8.9	5.5	9.7
4,000 12.1	8.4	12.9
5,000 14.6	12.2	15.4
6,000 16.3	14.9	17.1
8,000 19.4	16.8	20.2
10,000 22.1	20.2	22.9
12,500 25.2	22.8	26.0
15,000 28.0	25.8	29.6
20,000 33.5	28.7	34.1
25,000 39.3	34.2	38.9
50,000 52.8	39.0	53.2
75,000 61.6	53.9	61.1
100,000 67.8	62.5	63.9
500,000 88.0	68.7	86.0
1,000,000 89.9 3/	88.6	88.7
5,000,000 90.0 3/	90.0	90.0 3/
	91.2	
	93.4	
	95.7	

1/ Maximum earned net income assumed.

2/ Minimum tax.

3/ Taking into account maximum effective rate limitation of 90 percent.

Victory tax net income assumed to be ten-ninths of net income.

II. CORPORATION TAXES

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
TAX RATES, CREDITS, AND EXEMPTIONS					
Normal tax rates					
Corporations with normal-tax net income not over \$50,000:					
First \$5,000	15%	)			
Next \$15,000	17%	)			
Next \$5,000	19%	)			
Next \$25,000 (notch)	31%	)	no proposal	same as prior law	Same as prior law
Corporations with normal-tax net income over \$50,000:					
Flat rate	24%	)			
Surtax rates					
Corporations with surtax net income not over \$50,000:					
First \$25,000	10%	14%	)	Same as prior law	Same as prior law
Next \$25,000 (notch)	22%	38%	)	Same as prior law	Same as prior law
Corporations with surtax net income over \$50,000:					
Flat rate	16%	26%		Same as prior law	Same as prior law
Excess-profits tax rate					
Flat rate on adjusted excess profits net income (subject to postwar refund of 10% of the excess-profits tax)	90%	90%	95%	Same as House bill	Same as House bill

II. CORPORATION TAXES (Continued)

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
Excess-profits tax limitation					
Maximum effective rate limitation of total tax (in terms of surtax net income before credit for income subject to excess-profits tax)	80%	80% <u>1/</u>	Same as prior law	Same as prior law	Same as prior law
Excess-profits tax exemption					
Specific exemption	\$5,000	\$5,000 <u>2/</u>	\$10,000	\$10,000	\$10,000
Excess-profits credit					
Invested capital method:					
First \$5,000,000 of invested capital	8%	8%	8%	8%	8%
Next \$5,000,000 of invested capital	7%	7%	6% <u>2/</u>	6%	6%
Next \$190,000,000	6%	6%	5% <u>2/</u>)	5%	5%
Over \$200,000,000	5%	5%	4% <u>2/</u>)		
Income method:					
Percentage of average earnings in base period	95%	no proposal	Same as prior law	Same as prior law	Same as prior law
Carry-back of unused credits:					
Special provision to permit anticipated tax refunds from carry-backs to be used to reduce current-year tax payments	No provision	Special provision proposed	Same as prior law	Same as prior law	Same as prior law

1/ The Treasury recommended an upward revision of the 80% limitation in case Congress should decide in favor of an increase of the excess-profits tax rate above 90%.

2/ The Treasury was in favor of the provision in the House bill.

II. CORPORATION TAXES (Continued)

Item	Prior law	Treasury : proposal :	House bill :	Senate bill	Revenue Act of 1943
Involuntary liquidation of inventories valued under last-in-first-out (lifo) method	If involuntary liquidation occurs in any taxable year (beginning after December 31, 1941 and prior to termination of war), taxpayer could elect to treat subsequent replacements (made in a taxable year ending not later than three years after termination of the war) as if made in year of liquidation	1/	Same as prior law	1. Extended involuntary liquidation to taxable years beginning after December 31, 1940 2. Technical amendments to (a) permit replacements to affect tax liabilities of years preceding as well as subsequent to year of replacement; (b) extend the adjustment to declared value excess-profits tax as well as normal tax, surtax, and excess-profits tax; and (c) remove present ambiguity in the determination of cost of goods sold of the year of liquidation	Same as Senate bill
Corporate contributions to veterans' organizations	Organizations of war veterans were not included in the definition of beneficiaries to which corporations can make deductible gifts or contributions	2/	Same as prior law	Permitted a corporation to deduct gifts and contributions to organizations of war veterans to the same extent that it is entitled to deduct charitable contributions	Same as Senate bill

1/ The Treasury was in favor of the provision in the Senate bill.

2/ The Treasury took no position on this provision but did point out that it departed from present law in permitting the corporate deduction for a contribution to an organization that indulged in influencing legislation.

II. CORPORATION TAXES (Continued)

Item	Prior law	Treasury : proposal :	House bill	Senate bill	Revenue Act of 1943
Credit for dividends paid on preferred stock of public utilities	Extended to public utilities a credit against surtax net income for dividends paid during the taxable year on cumulative preferred stock which was issued prior to October 1, 1942	<u>1/</u>	Same as prior law	Dividend credit for payment of arrearages dating back to taxable years ending prior to October 1, 1942 was disallowed A credit was allowed on stock issued on or after October 1, 1942, if this stock was issued to refund or replace bonds or debentures or other preferred stock issued before that date	Same as Senate bill
Tax returns of organizations exempt from taxation under Section 101, I.R.C.	Under regulations of the Commissioner of Internal Revenue, only selected groups of tax-exempt organizations were required to file annual information returns	<u>2/</u>	Prescribed that all tax-exempt organizations with the exception of religious, certain educational, and certain charitable organizations, shall file annual information returns	Substantially identical with House bill, but exempted fraternal organizations and corporations wholly owned by the United States from the filing requirements	Same as Senate bill

1/ The Treasury was in favor of the provision in the Senate bill.

2/ The Treasury took no position on this provision.

Item	Prior law	Treasury : proposal	House bill	Senate bill	Revenue Act of 1943
Use of predecessor's basis of property in the case of reorganizations of certain insolvent corporations: (a) railroads (b) other corporations	Permitted reorganized insolvent railroads to use the transferor's basis for income and excess-profits tax purposes, provided the transfer of property took place after December 31, 1939	1/	Same as prior law	Extended prior law with respect to reorganization of insolvent railroads back one year to transactions and tax liabilities after December 31, 1938	Same as Senate bill
	Required the use of fair market value except for reorganizations under Section 112(g) (1) (except where debt is canceled, in which case the basis is reduced by the amount of cancellation to a floor of fair market value if reorganization under 77B or Chapter X of the National Bankruptcy Act)	2/	Same as prior law	Applied transferor's basis to all corporations which were reorganized since December 31, 1933. Retroactive to 1940	
				Provisions affecting non-railroad reorganizations made applicable only to taxable years beginning in 1943 and thereafter	
Reorganization by adjustment of capital and debt structure	Section 270 of the National Bankruptcy Act provided for reduction of basis by the amount of debt canceled to an amount not less than fair market value. Invested capital credit on basis of money or property paid in for stock	2/	Same as prior law	Where reorganization of a corporation other than a railroad corporation in receivership, 77B or Chapter X of the National Bankruptcy Act, is consummated under a plan of adjustment of the capital and debt structure of an existing corporation, at the election of the taxpayer, Section 270 of the Bankruptcy Act will not apply and for invested capital purposes, the corporation will be deemed a transferee in a tax-free reorganization	Same as prior law

1/ The Treasury took no position on this provision.

2/ The Treasury was opposed to the provision in the Senate bill.

II. CORPORATION TAXES (Continued)

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Item	Prior law	Treasury : proposal	House bill	Senate bill	Revenue Act of 1943
Reorganization by adjustment of capital structure prior to September 22, 1938	In reorganizations under Section 77B of the National Bankruptcy Act, Section 270 of that Act provided for reduction of the basis of property by the amount of debt forgiven to an amount not less than the fair market value of the property	<u>1/</u>	Same as prior law	Section 270 of the National Bankruptcy Act was made inapplicable in cases where the reorganization involved adjustment of the capital or debt structure without transfer of the assets to another corporation and was consummated prior to September 22, 1938. Reorganized taxpayer would retain the old basis of property. Retroactive to taxable years beginning after December 31, 1935	Same as Senate bill
Carry-over of unused excess-profits credit on reorganization of insolvent railroad	Transferee on reorganization not entitled to carry-over from transferor	<u>1/</u>	Same as prior law	Transferee railroad corporation, the basis of property of which is governed by Section 113(a)(20) entitled to carry-over of unused excess-profits credit of transferor. Retroactive to taxable years beginning after December 31, 1939	Same as prior law

1/ The Treasury was opposed to the provision in the Senate bill.

II. CORPORATION TAXES (Continued)

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
Gain from sale or exchange of property pursuant to Federal Communications Commission orders	No special treatment was provided with respect to gains resulting from sale of radio stations or other radio facilities effected in order to comply with licensing requirements of the Federal Communications Commission	1/	Same as prior law	Provided that at the election of the taxpayer no gain shall be recognized if the property disposed of is exchanged for other similar property, or if the proceeds are either used to acquire other similar property or held in a replacement fund, or if the basis of other depreciable assets of the taxpayer is reduced to the extent of the money which is not so expended. Applicable to taxable years beginning in 1943 or thereafter	Same as Senate bill
Percentage depletion	Taxpayers owning the following mineral properties may use percentage depletion at the specified rates of gross income (but not to exceed 50 percent of net income): Oil and gas wells 27 1/2 % Sulphur mines 23 % Metal, fluorspar, ball and sagger clay, and rock asphalt mines 15 % Coal mines 5 %	2/	Permitted 15% depletion for flake graphite, vermiculite, beryl, feldspar, mica, lepidolite and spodumene, and 23% depletion for potash, for the duration of the war. Provided that existing percentage depletion allowances for fluorspar, ball and sagger clay, and rock asphalt be withdrawn at the termination of the war	Extended 15% depletion to talc and barite. Reduced depletion of potash from 23% to 15% but made this permanent. Otherwise same as House bill	Same as Senate bill

1/ The Treasury did not object to this provision.

2/ The Treasury opposed percentage depletion for vermiculite, feldspar, lepidolite, spodumene, and potash, but did not object to the action taken in the House bill with respect to fluorspar, flake graphite, sheet mica, and beryl.

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
Definition of gross income from mineral property for purposes of computing percentage depletion and relief from excess-profits taxation for producers of strategic minerals and depletable resources (beneficiation)	Under regulations of the Commissioner of Internal Revenue, the gross income from mineral property for an integrated corporation was in general considered to be the entire gross income less cost and profits attributable to (a) transportation, and (b) processes not regarded as extraction and ordinary treatment processes	1/	Same as prior law	Inserted in law a definition of gross income from mineral property and listed the ordinary treatment processes which are deemed to be a part of mining and which contribute to such gross income. These processes are substantially the same as under existing regulations, except that furnacing of quicksilver and cyanidation are added to the list of ordinary treatment processes. The definition contained a sentence providing that the costs of any process not an ordinary treatment process shall be excluded from the gross income	Same as Senate bill, except that the sentence relating to the exclusion of the costs of processes not ordinary treatment processes was stricken out and that thermal or electric smelting, roasting and refining were expressly excluded as ordinary treatment processes.
Gain or loss upon cutting of timber	Income from cutting of timber was taxed at regular rates applicable to ordinary income	2/	Same as prior law	Permitted taxpayer who owns timber or has contract right to cut timber from the property of others to elect to treat income from the cutting of timber in any taxable year as a long-term capital gain Same treatment was granted to timber owners who dispose of standing timber under leasing contracts	Same as Senate bill

1/ The Treasury was opposed to the sentence contained in the Senate provision which by implication allowed the profits from processes not ordinary treatment processes to be included in the gross income from the mineral property, and was also opposed to the failure in the Senate provision to exclude expressly from ordinary treatment processes smelting and refining.

2/ The Treasury was opposed to the provision in the Senate bill.

Item	Prior law	Treasury: proposal	House bill	Senate bill	Revenue Act of 1943
Acquisitions to avoid income and excess-profits taxes	No specific provision	1/	Provided that tax benefits from acquisitions on or after October 8, 1940, of an interest in or control of a corporation or property, are to be disallowed wholly or partially if the Commissioner of Internal Revenue finds that one of the principal purposes for which such acquisition was made or availed of is the avoidance of income or excess-profits taxes. Applicable to taxable years beginning after December 31, 1939	Provisions adopted by the House were changed so as to apply only to cases where (a) control of a corporation has been acquired, and (b) the principal purpose of such acquisition is tax avoidance. In general, applicable only with respect to taxable years beginning in 1944 or thereafter	Same as Senate bill, except that the disallowance is made applicable also in case of property acquisitions by corporations where the acquiring corporation or its shareholders were not in control of the vendor corporation and the acquired property has a basis determined by reference to its basis in the hands of the vendor corporation
Mutual fire insurance companies issuing perpetual premium policies	These companies were taxed under Section 207 of the Code (relating to mutual fire insurance companies other than life and marine) either at regular corporate normal, surtax and excess-profits tax rates on net investment income, or at the rate of 1% on gross income, whichever tax is greater. Since losses and general expenses are not deductible in computing net investment income, these companies were in effect taxed on their gross investment income	2/	Same as prior law	Provided for the taxation of these companies under Section 204 of the Code (relating to stock insurance companies, other than life). This permitted them to be taxed at regular rates on investment income, but allowed full deduction of losses and general expenses	Same as Senate bill

1/ The Treasury recommended the provision in the House bill
 2/ The Treasury was in favor of the provision in the Senate bill

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II. CORPORATION TAXES (Continued)

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Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
Excess-profits tax exemption for producers of strategic minerals	Provides excess-profits tax exemption for producers of 11 specified strategic minerals	1/	Extended strategic minerals excess-profits tax exemption to producers of fluorspar, flake graphite and vermiculite	Same as House bill	Same as House bill
Nontaxable income from certain mining and timber operations	Mining relief from the excess-profits tax under Section 735 was not applicable to income from any mineral property or timber tract which had not been in operation for at least 6 months during the base period. Moreover, no relief was provided on income from timber tracts acquired by taxpayer after December 31, 1942	2/	Granted relief consisting of 1/6 of current unit net income to corporations on income derived from new coal and iron properties and from new timber tracts. In addition, operators of timber tracts were eligible for relief on income from tracts acquired after December 31, 1942. Provisions retroactive to December 31, 1941	Same as House bill, except that relief was trebled (1/2 of current unit net income of new iron and coal properties and timber tracts, instead of 1/6)	Same as House bill
Nontaxable income from certain natural gas operations	Income from output of natural gas corporations was taxable at regular rates	3/	Natural gas corporations were extended excess-profits tax relief with respect to income attributable to increased output from producing properties and transportation facilities. The nontaxable income consisted of the excess output multiplied by 1/2 of unit net income	Limited the extension of relief to income from increased production of natural gas	Same as House bill

1/ The Treasury was opposed to the provision in the House bill with respect to vermiculite but was in favor of it with respect to fluorspar and flake graphite.

2/ The Treasury in the Senate did not oppose this provision in the House bill but opposed the changes made by the Senate.

3/ The Treasury was opposed to the provision in the House bill but was in favor of the provision as amended by the Senate.

II. CORPORATION TAXES (Concluded)

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Item	Prior law	Treasury : proposal	House bill	Senate bill	Revenue Act of 1945
Extension of mining relief from excess-profits tax to lessors	Mining relief from the excess profits tax under Section 735 was applicable only to operators of mineral properties or timber tracts	1/	Extended mining relief under Section 735 to lessors of mineral properties or timber tracts	Same as House bill	Same as House bill
Excess-profits tax exemption of airlines engaged in the carrying of mail	Corporations subject to Title IV of the Civil Aeronautic Act are exempt from excess-profits tax if their income subject to excess-profits tax is equal to or less than the compensation received from the United States for transportation of mail by aircraft. However, if their mail compensation exceeded income subject to excess-profits tax, they were not permitted to carry over the excess as an unused excess-profits credit	2/	Same as prior law	Provided that the excess of mail compensation over income subject to excess-profits tax of one year may be deducted from income subject to excess-profits tax of another year for the purpose of determining whether the corporation is exempt from excess-profits tax in such other year	Same as Senate bill
Treatment of losses of railroads on investments in stock or securities of other railroads	Provides that investments in stock or securities of any type are defined as "capital assets" for all taxpayers. Losses realized upon sale or other disposition of these assets are capital losses and, when held for more than 6 months, cannot be deducted from regular income	2/	Same as prior law	Provided that in the case of railroads investments in stock or securities of other railroads are not included in the definition of "capital assets". This would have permitted railroads to deduct from regular income any losses which they could realize upon sale or other disposition of these investments	Same as prior law

1/ The Treasury was in favor of the provision in the House bill.

2/ The Treasury was opposed to the provision in the Senate bill.

III. RENEGOTIATION OF WAR CONTRACTS

(Amendments in the House and Senate bills and in the Revenue Act of 1943 apply to renegotiation of fiscal years ending after June 30, 1943, unless otherwise noted.)

Item	Prior law	Treasury : proposal :	House bill	Senate bill	Revenue Act of 1943
Renegotiable profits	Profits paid or accrued from contracts or subcontracts with the War Department, Navy Department, Treasury Department, Maritime Commission, and Reconstruction Finance Corporation, after recognizing applicable costs of the character allowed by the Internal Revenue Code	<u>1/</u>	Added War Shipping Administration	Same as House bill, except changed cost definition to allocable costs estimated to be allowable under Internal Revenue Code, including carry-overs and carry-backs, and recomputation of amortization deduction	Same as Senate bill without allowance of carry-overs and carry-backs. (Recomputation of the amortization deduction was made effective as if part of original act)
Mandatory exemptions	1. Contracts or subcontracts for which final payment was made prior to April 28, 1942	<u>1/</u>	1. Same as prior law	1. Same as prior law	1. Same as prior law
	2. Aggregate sales of contractor or subcontractor to above agencies not in excess of \$100,000 for fiscal year	<u>2/</u>	2. Increased to \$500,000	2. Same as House bill	2. Same as House bill
	3. Natural resources up to and including first stage for industrial use	<u>1/</u>	3. Same as prior law	3. Same as prior law	3. Same as prior law

- 1/ The Treasury took no position on this provision.
2/ The Treasury was in favor of the provision in the House bill.

III. RENEGOTIATION OF WAR CONTRACTS (Continued)

30

(Amendments in the House and Senate bills and in the Revenue Act of 1943 apply to renegotiation of fiscal years ending after June 30, 1943, unless otherwise noted.)

Item	Prior law	Treasury : proposal	House bill	Senate bill	Revenue Act of 1943
Mandatory exemptions (continued)		1/	4. Added agricultural commodities at first state when they have an established market, or seasonal canners (Effective as if part of original Act)	4. Same as House bill except deleted seasonal canners and added packed or processed dairy products	4. Same as House bill, except deleted seasonal canners
		2/	5. Added exempt organizations under Section 101 of Internal Revenue Code	5. Same as House bill, but made effective as if part of original Act	5. Same as Senate bill
		3/	6. Added subcontracts for a product which is not a component part of final product	6. Substituted for House component rule - durable machinery with a 10-year life and not a component part of final article	6. Same as prior law
		2/	7. Added subcontracts under exempt contracts or subcontracts	7. Same as House bill but made effective as if part of original Act	7. Same as Senate bill
		4/		8. Added construction awarded through competitive bidding	8. Same as Senate bill
Discretionary exemptions	Contracts or subcontracts where profits can be established with reasonable certainty at time of awarding contract, e.g., perishable goods, transportation and public utility services	4/	Added standard commercial articles	Same as House bill	Same as House bill

- 1/ The Treasury was opposed to the provision exempting seasonal canners.
 2/ The Treasury was in favor of the provision in the Senate bill.
 3/ The Treasury was opposed to the provision in the House bill.
 4/ The Treasury took no position on this provision.

III. RENEGOTIATION OF WAR CONTRACTS (Continued)

(Amendments in the House and Senate bills and in the Revenue Act of 1945 apply to renegotiation of fiscal years ending after June 30, 1943, unless otherwise noted.)

Item	Prior law	Treasury : proposal :	House bill	Senate bill	Revenue Act of 1945
Standards for determining excessive profits	To be established by the renegotiating agency	<u>1/</u>	Established the following considerations: 1. Efficiency 2. Reasonableness of costs and profits 3. Amount and source of public and private capital 4. Extent of risk 5. Nature and extent of contribution to the war effort 6. Character of business 7. Other factors of equity and in the public interest	Same as House bill, but added the following considerations: 8. Problems in connection with reconversion, and 9. Whether profits after Federal taxes are excessive	Same as House bill
Review of determination	None specifically provided	<u>2/</u>	An aggrieved contractor may appeal the determination of excessive profits to the War Contracts Price Adjustment Board (created by this bill), and appeal further to the Tax Court. For earlier determinations an appeal may be made directly to the Tax Court	Board given discretionary review, with further appeal to the Court of Claims. No bilateral agreements for fiscal years ending prior to July 1, 1943, may be appealed	Same as Senate bill, but appeal is to Tax Court

1/ The Treasury was opposed to the Senate additions to the House bill.

2/ The Treasury was in favor of the provision in the Senate bill.

III. RENEGOTIATION OF WAR CONTRACTS (Concluded)

(Amendments in the House and Senate bills and in the Revenue Act of 1943 apply to renegotiation of fiscal years ending after June 30, 1943, unless otherwise noted.)

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
Termination date	Three years after cessation of hostilities	<u>1/</u>	Presidential proclamation of termination of hostilities, or the date specified by Congressional resolution	December 31, 1944, or six months earlier or six months later, if the President establishes the return of competitive conditions; or cessation of hostilities, either by Presidential proclamation or Congressional resolution	Same as Senate bill
Repricing of war contracts	Under same general rules as recapture of post war profits	<u>1/</u>	Same general rules as House provisions for recapture of postwar profits	The Secretary of the Department may reprice any contract or subcontract with Department. Aggrieved contractor may sue for damages in any appropriate court. Termination date as of cessation of hostilities, either by Presidential proclamation or Congressional resolution	Same as Senate bill

1/ The Treasury took no position on this provision.

IV. EXCISE TAXES AND POSTAL RATES

Item	Prior Law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
EXCISES					
Distilled spirits, per proof gal.	\$6 (drawback of \$3.75 per gal. on nonbeverage alcohol)	\$10 (drawback of \$7 per gal. on nonbeverage alcohol)	\$9 (drawback of \$5 per gal. on nonbeverage alcohol)	\$9 (drawback of \$6 per gal. on nonbeverage alcohol)	Same as Senate bill
Floor stocks	-	\$4	\$3	Same as House bill	Same as House bill
Imported perfumes containing distilled spirits, per wine gal.	\$6	\$10	\$9	Same as House bill	Same as House bill
Fermented malt liquors, per barrel	\$7	\$10	\$8	Same as House bill	Same as House bill
Floor stocks	-	\$3	\$1	Same as House bill	Same as House bill
Wines:					
Still, per wine gal.					
Not over 14% alcohol	10¢	50¢	15¢	Same as House bill	Same as House bill
Over 14% not over 21%	40¢	\$1	60¢		
Over 21% not over 24%	\$1	\$2	\$2		
Sparkling, per half pint	10¢	20¢	15¢	Same as Treasury proposal	Same as Treasury proposal
Other, per half pint	5¢	10¢	10¢		
Floor stocks	-	Rates equal to tax rate increases	Same as Treasury proposal	Same as Treasury proposal	Same as Treasury proposal

IV. EXCISE TAXES AND POSTAL RATES (Continued)

Item	Prior Law	Treasury proposal	House bill	Senate bill	Revenue Act of 1947	
Cigarettes, per 10						
Small	\$3.50	\$5	Same as prior law	Same as prior law	Same as prior law	
Large	\$8.40	\$12	Same as prior law	Same as prior law	Same as prior law	
Floor stocks	-	Rates equal to tax rate increases	-	-	-	
Cigars	Intended retail price Over : Not : : over :	Tax per M \$ 2.50 3.00 4.00 7.00 10.00 15.00 20.00	Intended retail price Over : Not : : over :	Tax per M \$12.50 13.00 14.00 17.00 30.00 35.00 40.00	Same as prior law	Same as prior law
Floor stocks	-	Rates equal to tax rate increases	-	-	-	
Chewing, smoking tobacco, and snuff, per pound	18¢	34¢	Same as prior law	Same as prior law	Same as prior law	
Floor stocks	-	16¢	-	-	-	
General admissions	1¢ per 10¢ or fraction thereof	3¢ per 10¢ or fraction thereof	2¢ per 10¢ or fraction thereof	1¢ per 5¢ or major fraction thereof	Same as Senate bill	
Permanent use or lease of boxes or seats, and sales outside box office	1% of charge	3% of charge	2% of charge	Same as House bill	Same as House bill	

IV. EXCISE TAXES AND POSTAL RATES (Continued)

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Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
Cabarets	5% of charge	30% of charge	Same as Treasury proposal	20% of charge; exempted amounts paid by or for members of the armed forces of the United Nations	Same as Treasury proposal
Club dues and initiation fees	11% of charge	20% of charge	Same as Treasury proposal	Same as Treasury proposal	Same as Treasury proposal
Bowling alleys and billiard parlors:					
Rates	\$10 per year per alley \$10 per year per table	20% of charge \$20 per year per table	Same as Treasury proposal	\$20 per year per alley \$20 per year per table	Same as Senate bill
Exemption	Exempts alleys and tables in private homes	<u>1/</u>	Same as prior law	Extended exemption to tables in hospitals if no charge is made for their use	Same as Senate bill
Transportation of persons	10% of charge	25% of charge	15% of charge	Same as House bill	Same as House bill
Communications:					
Toll service	20% of charge	25% of charge	Same as Treasury proposal	Same as Treasury proposal	Same as Treasury proposal
Telegraph, etc.					
Domestic	15% of charge	20% of charge	25% of charge	Same as House bill	Same as House bill
International	10% of charge	<u>2/</u>	15% of charge	Same as prior law	Same as prior law
Leased wires, etc.	15% of charge	20% of charge	Same as Treasury proposal	25% of charge	Same as Senate bill
Wire and equipment services	5% of charge	<u>3/</u>	7% of charge	8% of charge	Same as Senate bill

1/ The Treasury did not object to the provision in the Senate bill.

2/ The Treasury was opposed to the provision in the House bill and recommended the retention of the 10% rate of the prior law.

3/ The Treasury took no position on the provision in the House and Senate bills.

IV. EXCISE TAXES AND POSTAL RATES (Continued)

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Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
Local telephone service	10% of charge	15% of charge	Same as Treasury proposal	Same as Treasury proposal	Same as Treasury proposal
Jewelry	10% of retail price	30% of retail price	20% of retail price (exempted silver-plated flatware)	20% of retail price (10% of retail price on watches retailing at not more than \$35 and alarm clocks retailing at not more than \$5)	Same as Senate bill; also exempts silver-plated flatware
Fur and fur-trimmed articles: Rate	10% of retail price	25% of retail price	Same as Treasury proposal	20% of retail price	Same as Senate bill
Articles made from pelts furnished by customer	Nontaxable	Taxable at the rate of 25% of fair retail market value of the article if it is not for resale by such customer	Same as Treasury proposal	Same as Treasury proposal except rate — 20%	Same as Senate bill
Luggage, handbags, wallets, etc.	10% of manufacturer's sales price on luggage only	25% of retail price	Same as Treasury proposal	15% of retail price	20% of retail price
Refund of manufacturer's tax	-	<u>1</u> / ₂	No provision	Refunded manufacturer's tax paid on luggage in wholesalers' and retailers' inventories	No provision

1 The Treasury was opposed to the provision in the Senate bill.

IV. EXCISE TAXES AND POSTAL RATE (continued)

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1945
Toilet preparations	10% of retail price	25% of retail price	Same as Treasury proposal	20% of retail price	Same as Senate bill
Electric light bulbs and tubes	5% of manufacturer's sales price	^{1/}	25% of manufacturer's sales price	15% of manufacturer's sales price	20% of manufacturer's sales price
Soft drinks	No tax	Bottled drinks, 1¢ per each 5¢ of intended retail price; the equivalent taxes of 1¢ per gal. on sirup and 25¢ per lb. on carbonic acid gas used in unbottled soft drinks	No tax	No tax	No tax
Candy and chewing gum	No tax	Articles intended to retail from 5¢ to 15¢ per bar or package, 1¢ per each 5¢ of intended retail price; other items, the equivalent tax of 35% of manufacturer's sales price	No tax	No tax	No tax
Pari-mutuel wagering	No tax	^{2/}	5% of amount wagered	No tax	No tax

- ^{1/} The Treasury was in favor of the provision in the Senate bill as compared to the House bill but originally favored no increase.
^{2/} The Treasury took no position on the provision in the House bill.

IV. EXCISE TAXES AND POSTAL RATES (Continued)

Item	Prior law	Treasury : proposal :	House bill	Senate bill	Revenue Act of 1943
Transportation of property	3% of charge (4¢ per short ton of coal)	Repeal	Same as prior law	Same as prior law	Same as prior law
Payments by or to the War Shipping Administration	Taxable under some circumstances	<u>1/</u>	Same as prior law	Exempted all payments for transportation by water from one point to another in the United States, except points on Great Lakes	Same as Senate bill
Vacuum cleaners	10% of manufacturer's sales price	<u>2/</u>	Same as prior law	Repealed	Repeals
Playing cards:					
Exemption	Exempt when exported to a foreign country	<u>3/</u>	Same as prior law	Extended exemption to playing cards exported to a possessor of the United States (or a Territory of the United States during the National Emergency if for use of members of the armed forces of the United States)	Same as Senate bill

- 1/ The Treasury was in favor of the provision in the Senate bill if the tax on transportation of property was not repealed as recommended.
- 2/ The Treasury was opposed to the provision in the Senate bill.
- 3/ The Treasury was in favor of the provision in the Senate bill.

IV. EXCISE TAXES AND POSTAL RATES (Continued)

Item	Prior law	Treasury : proposal :	House bill	Senate bill	Revenue Act of 1943
POSTAL RATES					
First class, local	2¢ per oz.	<u>1/</u>	3¢ per oz.	Same as House bill	Same as House bill
Airmail	6¢ per oz.	<u>1/</u>	8¢ per oz.	Same as House bill	Same as House bill
Third class	1¢ and 1½¢ per 2 oz.	<u>1/</u>	2¢ and 3¢ per 2 oz.	Same as prior law	Same as prior law
Fourth class	Various	<u>1/</u>	Increased by 5% of present law rate or 1¢, whichever is greater	Same as House bill	Same as House bill
Registered mail	15¢ to \$1 per article	<u>1/</u>	20¢ to \$1.35 per article	Same as House bill	Same as House bill
Insured mail	5¢ to 35¢ per article	<u>1/</u>	10¢ to 70¢ per article	Same as House bill	Same as House bill
C.O.D. mail	12¢ to 45¢ per article	<u>1/</u>	24¢ to 90¢ per article	Same as House bill	Same as House bill
Money orders	6¢ to 22¢ per article	<u>1/</u>	10¢ to 37¢ per article	Same as House bill	Same as House bill

1/ The Treasury took no position on the postal rate changes in the House and Senate bills.

IV. EXCISE TAXES AND POSTAL RATES (Continued)
(Technical and administrative amendments)

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
Effective date of excise changes:					
Manufacturers' and retailers' excises, admissions, alcoholic beverages, long distance telephone messages, telegraph and cable dispatches, transportation of persons, pari-mutuel wagering ^{1/}	-	<u>2/</u>	First day of first month beginning more than 10 days after enactment of Act. However, the increase in the cabaret tax becomes effective at 10 A.M. on such date, and the communications tax increases are applicable only to amounts paid for services rendered on or after such date.	Same as House bill	April 1, 1944 (Same as House bill)
Billiard and pool tables	-	<u>2/</u>	July 1, 1944	Same as House bill	Same as House bill
Bowling alleys	-	<u>2/</u>	First day of first month beginning more than 10 days after enactment of Act	July 1, 1944	Same as Senate bill
Leased wires, wire and equipment service, local telephone service	-	<u>2/ 3/</u>	Increased rates apply to bills rendered on or after the first day of the first month beginning more than 10 days after enactment of Act for services for which no previous bill was rendered. When bills rendered on or after such first day include charges for services previously rendered, increased rates do not apply to services rendered more than 2 months before said effective date	Increased rates apply to bills rendered on or after the first day of the second month beginning more than 10 days after enactment of Act for services for which no previous bill was rendered. When bills rendered on or after such first day include charges for services previously rendered, increased rates do not apply to services rendered more than 2 months before said effective date	Increased rates apply to bills rendered on or after May 1, 1944 for services for which no previous bill was rendered. When bills rendered on or after May 1, 1944 include charges for services previously rendered, increased rates shall not apply to services rendered more than 2 months before May 1, 1944 (Same as Senate bill)

^{1/} Tax on pari-mutuel wagering in House bill only.

^{2/} No specific proposal; assumed that the customary practice (as provided in House bill) would be followed.

^{3/} The Treasury was in favor of the provision in the Senate bill.

IV. EXCISE TAXES AND POSTAL RATES (Continued)
(Technical and Administrative Amendments)

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Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
Effective date of postal rate changes	-	No proposal	Thirtieth day after enactment of Act	Same as House bill	March 26, 1944 (Same as House bill)
Termination of rate changes Excise and postal rate changes (except special yearly tax on billiard and pool tables and bowling alleys)	-	A date following termination of the war to be fixed by Congress	First day of first month beginning 6 months or more after termination of hostilities	Same as House bill	Same as House bill
Billiard and pool tables and bowling alleys — special yearly tax <u>1/</u> <u>2/</u>	-	A date following termination of the war to be fixed by Congress	First day of first month beginning 6 months or more after termination of hostilities	June 30 next following the first day of the first month beginning 6 months or more after termination of hostilities	Same as Senate bill
Leases, conditional sales, existing contracts, etc.					
Increased rates	-	<u>1/</u>	Where lease, conditional sale, etc., was made and delivery was made before effective date of excise rate increase, tax rate is that in force before effective date of increase	Where lease, conditional sale, etc., was made, delivery was made, and part of consideration was paid before effective date of excise rate increase, tax rate is that in force before effective date of increase	Same as Senate bill
New taxes	-	No proposal	Where lease, conditional sale, etc., was made, delivery was made, and part of consideration was paid before effective date of new tax, no tax is imposed	Same as House bill	Same as House bill

1/ The Treasury was in favor of the provision in the Senate bill.

2/ Bowling alleys not subject to special yearly tax under Treasury proposal or House bill.

IV. EXCISE TAXES AND POSTAL RATES (Continued)
(Technical and Administrative Amendments)

Item	: Prior law	: Treasury proposal	House bill	: Senate bill	: Revenue Act of 1943
Lenses, conditional sales, existing contracts, etc. (continued)					
Existing contracts	-	No proposal	If contract made before effective date of tax increase, or imposition of new tax, for sale of article after such date does not provide for add- ing tax to contract price, but does not prohibit such addition, vendee shall pay such tax in lieu of vendor	Same as House bill	Same as House bill
Articles classifiable under more than one section	-	Where article sub- ject to retail tax is classifiable under more than one section and rates of tax differ, highest rate shall prevail	Same as Treasury proposal	Same as Treasury proposal	Same as Treasury proposal
Tires and inner tubes: scope of term "rubber"	Tax applicable to tires and tubes made wholly or in part of "rubber"	Amend the term "rubber" to specif- ically include synthetic and sub- stitute rubber	Same as Treasury proposal	Same as Treasury proposal	Same as Treasury proposal

IV. EXCISE TAXES AND POSTAL RATES (Continued)
(Technical and Administrative Amendments)

43

Item	: Prior : law	: Treasury proposal	: House bill	: Senate bill	: Revenue Act : of 1943
Sales to Federal Government					
Taxability	Tax-exempt	Tax sales to Federal Government, except sales of pistols and revolvers, firearms, shells, and cartridges, and radio receiving sets, but permit the Secretary of Treasury to authorize exemption if he determines that taxation will cause substantial burden or expense which can be avoided by granting tax exemption and that full benefit of such exemption will accrue to the United States ^{1/}	1. Federal exemption repealed for manufacturers' and retailers' excises, import taxes, pistols and revolvers, firearms, shells, and cartridges, electrical energy, communications services, transportation of persons and property 2. Exemption continued for articles sold under contracts entered into prior to the time sales become taxable	1. Same as House bill 2. Exemption continued for articles sold under contracts entered into prior to the time sales become taxable, or under any agreement supplemental to such contract bearing the same contract number 3. Secretary of Treasury may authorize exemption if he determines that imposition of taxes will cause substantial burden or expense which can be avoided by granting tax exemption and that full benefit of such exemption will accrue to the United States 4. Exemption continued for payments by Red Cross for communications services, transportation of property, and transportation of persons	1. Same as House bill 2. Same as Senate bill 3. Same as Senate bill 4. Same as Senate bill

^{1/} The discretionary power for the Secretary of the Treasury was proposed to the Senate Finance Committee.

IV. EXCISE TAXES AND POSTAL RATES (Continued)
(Technical and Administrative Amendments)

Item	Prior: Treasury : law : proposal	:	House bill	:	Senate bill	:	Revenue Act of 1943
Sales to Federal Government (continued)							
Effective date of changes							
Manufacturers' excises (except radios, phonographs, etc.) import taxes, retailers' excises, electrical energy, long distance telephone messages, telegraph and cable dispatches	-	No proposal	Taxes apply to sales made or messages and dispatches originating on or after the first day or first month beginning 3 months or more after date of enactment of Act		Same as House bill		Taxes apply to sales made or messages and dispatches originating on or after June 1, 1944 (Same as House bill)
Pistols and revolvers; firearms, shells, and cartridges; radios, phonographs, etc.	-	No proposal	Taxes apply to sales made on or after the first day of the first month beginning 6 months or more after termination of hostilities		Same as House bill		Same as House bill
Leased wire, wire and equipment service, and local telephone service	-	No proposal	Taxes apply to amounts paid pursuant to bills rendered on or after the first day of the first month beginning 3 months or more after date of enactment of Act provided no previous bill was rendered for such service		Same as House bill		Taxes apply to amounts paid pursuant to bills rendered on or after June 1, 1944, provided no previous bill was rendered for such service (Same as House bill)
Transportation of property and persons	-	No proposal	Taxes apply to amounts paid on or after the first day of the first month beginning 3 months or more after date of enactment of Act		Same as House bill		Taxes apply to amounts paid on or after June 1, 1944 (Same as House bill)

IV. EXCISE TAXES AND POSTAL RATES (Concluded)
(Technical and Administrative Amendments)

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
Floor stocks taxes on alcoholic beverages					
Returns	-	No proposal	Due on or before 30th day following effective date of tax increases	Same as House bill	Due on or before May 1, 1944 (Same as House bill)
Payment of tax	-	-	Due on or before first day of third month following effective date of tax increases. Payment may be extended to not later than first day of 10th month after effective date of tax increase upon filing of approved bond	Same as House bill	Due on or before July 1, 1944. Payment may be extended to not later than February 1, 1945 upon filing of approved bond (Same as House bill)
Drawback on distilled spirits used in nonbeverage products					
Spirits to which increased rate of drawback is applicable	-	No proposal	Spirits upon which \$9 per proof gal. tax has been paid	Same as House bill	Same as House bill
Time of eligibility for drawback:					
General rule	When products are sold or otherwise transferred for use	When spirits are used in manufacture of non-beverage products <u>1/</u>	Same as prior law	Same as Treasury proposal	Same as Treasury proposal
Spirits used prior to effective date of distilled spirits tax increase and for which no claim has been filed under prior law	-	<u>2/</u>	No provision	Quarter in which effective date of distilled spirits tax increase occurs	Quarter beginning April 1, 1944 (Same as Senate bill)

1/ Proposed to the Senate Finance Committee.

2/ The Treasury was in favor of the provision in the Senate bill.

V. ESTATE AND GIFT TAXES

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Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
ESTATE TAX					
Exemption	\$60,000	\$40,000	Same as prior law	Same as prior law	Same as prior law
Rates:					
Minimum rate	3% on first \$5,000 of net taxable estate	5% on first \$5,000 of net taxable estate	Same as prior law	Same as prior law	Same as prior law
Maximum rate.	77% on portion of net taxable estate over \$10,000,000	80% on portion of net taxable estate over \$1,500,000	Same as prior law	Same as prior law	Same as prior law
Valuation of unlisted stocks and securities for estate tax purposes	Regulations provide for valuation of securities on the basis of all pertinent factors	<u>1/</u>	In the case of corporate securities the value of which cannot be obtained because of not being listed or traded, there shall be taken into consideration, in addition to all other factors, the value of stock or securities of comparable corporations which are listed on an exchange	Same as prior law	Same as House bill, except for technical changes

1/ The Treasury was opposed to the provision in the House bill.

V. ESTATE AND GIFT TAXES (Continued)

Item	Prior law	Treasury proposal	House bill	Senate bill	Revenue Act of 1943
GIFT TAX					
Rate	3/4 of estate tax rates	3/4 of estate tax rates	Same as prior law	Same as prior law	Same as prior law
Appointment of new trustees of certain discretionary trusts	Taxable gift	1/	In the case of a trust (a) created prior to Sept. 1, 1943 on which a gift tax was paid if created after the effective date of the gift tax, or would have been subject to gift tax had the trust been created after the effective date of the gift tax, (b) of which the grantor is not a named beneficiary, and (c) no part of the income of which is, under Section 133, includible in computing the net income of the grantor, then (1) no appointment, prior to Jan. 1, 1945, of new, successor, or additional trustees, (2) no vesting prior to January 1, 1945, in the trustees of discretion as to the selection of beneficiaries or the distribution of the corpus or income of the trust, and (3) no exercise, prior to Jan. 1, 1945, by the trustees of any such discretion, shall be deemed to constitute a transfer of property for gift tax purposes	In the case of a trust created prior to Jan. 1, 1939, if on and after Jan. 1, 1939 no power to revest title to the property could be exercised either by the grantor alone, or in conjunction with any other person not having a substantial adverse interest in the disposition of the property or the income therefrom, then a relinquishment by the grantor on or after Jan. 1, 1939 and prior to Jan. 1, 1945 of power or control with respect to the distribution of such property or the income therefrom, shall not be deemed to constitute a transfer of property for gift tax purposes; provided that if the trust was created or the power to revest the property in the grantor was relinquished while a gift tax law was in effect, the amendment is inapplicable unless (1) a gift tax was paid with respect to such creation or relinquishment which has not been credited or refunded, or a gift tax return was filed and the value reported did not exceed the specific exemption and exclusion claimed on that return, and (2) the grantor consents, in accordance with regulations prescribed, to treat the original transfer as having been a transfer of property subject to gift tax.	Same as Senate bill with technical changes

1/ The Treasury did not object to the provision in the Revenue Act of 1943.

EXHIBIT 3

Comparison of estate tax rate under prior law, Treasury proposals, House and Senate bills, and Revenue Act of 1943 ^{1/}

Net estate after specific exemption (000) ^{2/}	Bracket rate		Total estate tax cumulative	
	Present law ^{3/}	Treasury proposal	Present law ^{3/}	Treasury proposal
Not over \$ 5	3%	5%	\$ 150	\$ 250
5 - 10	7	8	500	650
10 - 15	11	12	1,050	1,250
15 - 20	11	16	1,600	2,050
20 - 30	14	20	3,000	4,050
30 - 40	18	24	4,800	6,450
40 - 50	22	28	7,000	9,250
50 - 60	25	31	9,500	12,350
60 - 70	28	34	12,300	15,750
70 - 100	28	37	20,700	26,850
100 - 150	30	40	35,700	46,850
150 - 200	30	43	50,700	68,350
200 - 250	30	45	65,700	90,850
250 - 300	32	48	81,700	114,850
300 - 350	32	51	97,700	140,350
350 - 400	32	54	113,700	167,350
400 - 450	32	57	129,700	195,850
450 - 500	32	60	145,700	225,850
500 - 600	35	63	180,700	288,850
600 - 700	35	66	215,700	354,850
700 - 800	35-37	69	251,700	423,850
800 - 900	37	72	288,700	495,850
900 - 1,000	37	75	325,700	570,850
1,000 - 1,250	39	78	423,200	765,850
1,250 - 1,500	42	79	528,200	963,350
1,500 - 2,000	45	80	753,200	1,363,350
2,000 - 2,500	49	80	998,200	1,763,350
2,500 - 3,000	53	80	1,263,200	2,163,350
3,000 - 4,000	56-59	80	1,838,200	2,963,350
4,000 - 5,000	63	80	2,468,200	3,763,350
5,000 - 6,000	67	80	3,138,200	4,563,350
6,000 - 7,000	70	80	3,838,200	5,363,350
7,000 - 8,000	73	80	4,568,200	6,163,350
8,000 - 9,000	76	80	5,328,200	6,963,350
9,000 - 10,000	76	80	6,088,200	7,763,350
Over 10,000	77	80	-	-

1/ Before deduction of credit for State death taxes.

2/ The specific exemption under present law is \$60,000, under the Treasury proposal \$40,000.

3/ Same as prior law, since no change in rates was made by House bill, Senate bill and Revenue Act of 1943.

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EXHIBIT 4

Amount of estate taxes and effective rates under prior law, Treasury proposals,
House and Senate bills, and Revenue Act of 1943 ^{1/}

Net estate before specific exemption (000) ^{2/}	Amount of tax			Effective rate		
	Present law ^{3/}	Treasury proposal	Increase under Treasury proposal	Present law ^{3/}	Treasury proposal	Increase under Treasury proposal
\$ 50	\$ 0	\$ 650	\$ 650	-	1.3%	1.3%
60	0	2,050	2,050	-	3.4	3.4
80	1,600	6,450	4,850	2.0%	8.1	6.1
100	4,800	12,350	7,550	4.8	12.4	7.6
150	17,900	30,850	12,950	11.9	20.6	8.6
200	32,700	51,150	18,450	16.4	25.6	9.2
400	94,500	145,750	51,250	23.6	36.4	12.8
600	159,700	263,650	103,950	26.6	43.9	17.3
800	229,700	396,250	166,550	28.7	49.5	20.8
1,000	303,500	540,850	237,350	30.4	54.1	23.7
2,000	726,200	1,331,350	605,150	36.3	66.6	30.3
4,000	1,802,800	2,931,350	1,128,550	45.1	73.3	28.2
6,000	3,098,000	4,531,350	1,433,350	51.6	75.5	23.9
10,000	6,042,600	7,731,350	1,688,750	60.4	77.3	16.9
20,000	13,742,000	15,731,350	1,989,350	68.7	78.7	9.9
40,000	29,142,000	31,731,350	2,589,350	72.9	79.3	6.5
100,000	75,342,000	79,731,350	4,389,350	75.3	79.7	4.4

- ^{1/} Before deduction of credit for State death taxes.
^{2/} The specific exemption under the present law, is \$60,000, under the Treasury proposal \$40,000.
^{3/} Same as prior law, since no change in rates or specific exemption was made by House bill, Senate bill and Revenue Act of 1943.

VI. SOCIAL SECURITY TAXES

Item	Prior law	Treasury : proposal :	House bill	Senate bill	Revenue Act of 1943
Old-age and survivors' insurance:					
Employee contributions	Increase from 1% to 2% in 1944 ^{1/}	2/	Same as prior law	1% for 1944 ^{1/}	Same as Senate bill
Employer contributions	Increase from 1% to 2% in 1944 ^{1/}	2/	Same as prior law	1% for 1944 ^{1/}	Same as Senate bill
Federal unemployment taxes:	The credit for State unemployment insurance contributions is allowable in full only with respect to those paid on or before the last day upon which a Federal unemployment tax return is required to be filed	Same as prior law	Same as prior law	Same as prior law	Same as prior law
Credit for contributions under State laws	In the case of contributions made after the date on which a Federal tax return is due but before the following July 1, the credit is 90% of what it would otherwise be. Except in special cases no credit is allowed with respect to contributions made after July 1	3/	In the case of contributions made any time after the date on which a Federal tax return is due the credit is 90% of what it would otherwise be. With respect to prior years, in some cases the credit is allowed in full regardless of the date of contribution, and in other cases the credit is limited to 90% of the amount which would have been allowed if the contribution had been made prior to the due date of the Federal return	Same as House bill	Same as House bill

^{1/} For 1945 the rate is scheduled to be 2%, and for subsequent years higher rates are scheduled.

^{2/} The Treasury opposed the provision in the Senate bill.

^{3/} The Treasury recommended the provision in the House bill.

MEMORANDUM FOR THE SECRETARY.

April 14, 1944.

Mail Report

One of the lightest weeks, from the point of view of volume received, that we have ever experienced, brought in not only very little general mail, but very dull fan mail and letters that furnished little material for quotations. There were a few discursive letters on such topics as taxation, or the New Deal, but nothing like the expressive ones we have received in the past. Protests against high tax rates have nearly vanished from the mail, as have specific instances of injustice or appeals for easing of the law. Inquiries about tax payments or refunds were negligible, and there was just one suggestion of an idea for further revenue. With a twofold purpose in mind, this writer asked that those unable to supply their own shopping bags be taxed one-cent for each paper bag furnished.

There were 58 Series E Bonds submitted to this office for redemption; a few reports about delays; and questions as to the correct procedure in re-inscribing, etc. There are continual requests for bonds of small denominations. This week another writer suggested bonds priced as low as \$1.00 to be offered only to school children.

Along with the check and currency difficulties that made up most of the general mail were several inquiries about the report that 15% merit raises for white collar workers had been allowed by the Salary Stabilization Unit.

In contrast to the first Vivien Kellems incident, the recent flare-up of interest in her brought in only one communication. This was a carbon copy of an anonymous letter addressed to her, and was very nasty in its tone and attitude toward the Administration. It came from California.



General Comments

Joseph G. Dubuque, Washington, D. C. Permit me to humbly congratulate you upon the excellent job you have done, and are doing as Secretary of the United States Treasury. In these trying times it is difficult to get all the funds essential toward winning this War. You have done an excellent job. I shall continue to give my financial and moral support to the United States Treasury in the forthcoming loan campaign.

Mr. Melchor Leon, of Mexico, (El Dragon De Oro, S.A.) is still contributing each month. Most recent letter reads: I take the pleasure to inclose herewith, New York draft in the amount of \$175.28, equivalent of \$850.10 Mexican Pesos (at the rate of exchange of \$4.85 pesos for \$1.00), to which amounted the 25% of all purchases made by American citizens in this store during the month of March, 1944, that is donated to the U. S. Government for "National Defense".

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Unfavorable Comments on Bonds

Grover E. Jones, Lockland, Ohio. Today I paid my bank \$14.06 to exchange \$9,000.00 - 3 1/4 Treasury Bonds called April 15, 1944, for the same amount of 2 1/2's due 64-69. The bank informed me the period for exchange had expired and that they would have to buy the bonds in the market. There has been no public notice of a time limit for this exchange, and I assumed they could be exchanged any time till April 15th. The only notice I saw was the one (a typed one) in the bank today, advising the customers of the exchange privilege. The amount involved is small, but I am sure that thousands of citizens will be irritated on April 15th when they find it will cost them money to exchange their 3 1/4 Treasury Bonds for the 2 1/2's. We have not been required to pay anything in former exchanges.

Horatio C. Ray, San Juan, P.R. On November 9, 1943, my brother, acting as my agent, sent a letter enclosing a Form P.D. 1646, with death certificate and other papers necessary to have transferred the ownership to me of a \$500.00 Savings Bond, owned by my deceased wife. * * * To date neither my brother nor myself have had any further word! * * * If this had happened to some rock-ribbed Republican, as so many of my fellow Pennsylvanians are, it might be understandable, but here I am, a good Democrat since the time of Alton B. Parker, for whom I cast my first vote. My father and I were two Democrats in a town and county in Pennsylvania where a Democrat was looked down upon as out of the realm of understanding. * * * Please, Mr. Secretary, let us know what is the fate of this matter, and when we may expect some action on it. You might as well reply because if I don't hear within a reasonable time, I intend to write Mr. Hannegan. If that doesn't elicit a reply, I shall

- 3 -

write the President, and if I still don't hear, I shall try Joe Stalin, or God, perhaps, and then down the line again. I want action! Years ago, I had the pleasure of returning on a Red Star boat with your father when he was returning from Turkey. * * * As there were few passengers on the boat, I became well acquainted with your father. I always have since thought of him as one of America's greatest men, for in spite of his exalted position, he was so kindly. I hope I can think the same of his son.

Ralph Watchorn, Rossville, Illinois. I am writing you regarding reports that are becoming very common throughout Illinois and Indiana. I am a salesman for the Webster Grocer Company, Danville, Illinois, and cover a large territory. This report is coming out through responsible people. Businessmen, farmers, etc., say that "buying bonds prolongs the war"; "If you and me would stop buying bonds, the war would end soon". There should be some counter-activity to these reports, and I should like to see some action taken by your Department.

- 4 -

Unfavorable Comments on Taxation

H. W. Johnson, Evanston, Ill. In 1941 the taxpayer sold a piece of property in Chicago, in which he held a one-half interest, and rendered a return for that year for income tax purposes claiming a loss of \$1,141.13 in the sale of the building. This loss was arrived at by what was considered to be a fair value at the time the building was acquired by legacy as compared with the amount received from sale of the property. In the due course of time a letter was received from the Internal Revenue Agent in Charge at Chicago, advising me that the fair value claimed could not be accepted and notifying me of assessment of over \$1,200. I discussed the matter with the Treasury Department Conferee and after waiting for quite some little time was called on the 'phone and informed that my fair value had been accepted and that instead of an assessment there would be a refund of approximately \$40.00. I was not concerned in the refund as I felt my original return had been made on a correct basis for other matters entering into that return. After a lapse of another period I was called on the 'phone and advice was given that my case had been reconsidered and instead of a refund of \$40.00 there would be an additional assessment of something over \$400. The matter now stands with an assessment of \$433.94, to which undoubtedly will be added interest. The amount involved does not justify either going to the courts or presenting the matter to the Appeal Board because the expense entailed would consume, if not all, at least a very large part of any reduction that might be made in the assessment. Under very violent protest I have sent the Treasury Department of Chicago my check for \$433.94 and will await the other bad news of the interest due. * * *

Stuart A. Robertson, Secretary, Great Northwest Life Insurance Company, Spokane, Wash. Within the last thirty days, I have submitted three requests to the

- 5 -

Office of the Collector of Internal Revenue, Tacoma, Washington, asking that they submit three copies of Form 1120-L for our use in preparing our 1943 return. To date, however, I have received no reply. If the forms we have requested are not received immediately, it will not be possible for us to meet the extended due date, April 15, for the filing of this return.

* * *

Malcomb A. Long, Atlantic Supply Company, (Feeding Materials) Duncannon, Pa., sends the Secretary a copy of a letter he has addressed to the Employment Tax Division of the Treasury Department at Philadelphia. We have your circular letter regarding Form SS-4. Wish to advise that this form was properly filled out and mailed back to you quite some time ago. Please check your office and see if it was received. With the thousands of extra Government offices all over the country, there is always a possibility that it might have been missent. If not received, advise us promptly and we will send a duplicate. However, in this connection we wish to take exception to the language of this letter which states that unless the form is returned promptly, a special investigation will be instituted for the purpose of checking our records. This apparently is meant as a threat, inferring that any investigation would disclose some irregularities, and this is what I resent. You are welcome to investigate us from top to bottom at any time. We are trying to conduct our business in an honest manner and do not want to be threatened by some bureaucrat that he will investigate us. That is the very thing that Hitler has been doing for years, and it is my impression that we are at War to prevent just such political oppression.

April 14, 1944.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

Messrs. Anslinger and Shamhart have returned from Mexico City where they saw the Attorney General and Commissioner of Health of the Republic of Mexico and their immediate assistants. They obtained agreement from the Mexican authorities that they would continue and enlarge their program of destroying the opium poppy in the states in which it is being cultivated and it is satisfactory to them that we continue and enlarge somewhat our practice of augmenting the expense accounts of the men actually engaged in supervising destruction of the opium poppies, which is done through our Customs and Narcotics allowance for informers. The total expense to us will be about \$10,000 a year.

The Mexicans seemed to be sincere in their desire to eradicate the poppy as they realize the effect of increased addiction among their own population. The Commissioner of Health, Dr. Mayoral Pardo, outlined an educational-enforcement program which he hopes to put into effect.

Ambassador Messersmith was at first somewhat critical, on the basis of misunderstanding of what our people proposed. His attitude changed completely, however, before they left and he was helpful.

Anslinger and Shamhart were accompanied by W. J. Harmon, Supervising Customs Agent at El Paso, and Grover Webb, Superintendent of the Southwest Customs Patrol District.

WJG

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

April 14, 1944

TO Secretary Morgenthau

FROM Fred Smith *FS.*

Yesterday the WPB Requirements Committee definitely turned down any additional alcohol plants on the basis that there is insufficient manpower and materials.

This puts us right back where we were in the beginning.

April 14, 1944

Mr. FitzGerald.

Secretary Morgenthau.

I think you were to remind me that I was to see Donald Nelson. I think the day was around April 12th. Anyway, call up his office and ask him whether he could come at nine o'clock Tuesday morning with those other two gentlemen to bring me up to date on what's happened in alcohol. You might remind his secretary that I said I would see him in another month.

forget 5/9/44

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

April 14, 1944

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended April 5, 1944, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

EMB

FEDERAL RESERVE BANK
OF NEW YORK

April 13, 1944.

CONFIDENTIAL

Dear Mr. Secretary:

Attention: Mr. H. D. White

I am enclosing our compilation for the week ended April 5, 1944, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ E. L. Sanford,

H. L. Sanford,
Assistant Vice President.

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

Enclosures

C O P Y

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS (In Millions of Dollars)

Week Ended April 5, 1944

Strictly
Confidential

Week Ended April 5, 1944

Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)										BANK OF FRANCE			
	DEBITS				CREDITS									
	Total Debits	Gov't Expendi- tures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of			Transfers from Official Australian Account	Other Credits (c)	Net Incr. (+) or Decr. (-) in \$ Funds (d)	Total Debits (e)	Total Credits (e)	Net. Incr. (+) or Decr. (-) in \$ Funds (d)
						Gold	Securities (Official) (b)							
First year of war (a)	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0		3.9	416.2	+ 35.0	866.3(f)	1,095.3(f)	+ 299.0
War period through December, 1940	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0		14.5	561.1	+ 10.8	878.3	1,098.4	+ 220.1
Second year of war (h)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0		16.7	705.4	- 13.2	38.9	8.8	- 30.1
Third year of war (i)	1,235.6	904.8	7.7	223.1	1,261.5	21.8	5.5		57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
Fourth year of war (j)	764.0	312.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3		10.3	1.0	- 9.3
1943														
September	49.4	16.8	10.6	22.0	86.2	-	-	15.0	71.2	+ 36.8		-	-	-
October	38.2	16.0	-	22.2	115.4	-	-	40.5	74.9	+ 77.2		-	-	-
November	65.9	42.4	5.9	17.6	89.0	-	-	3.5	85.5	+ 23.1		-	-	-
December	98.1	16.3	-	81.8	134.5	-	-	36.5	98.0	+ 36.4		-	-	-
1944														
January	44.6	25.2	10.6	12.0	127.5	-	-	1.0	126.5	+ 62.7		-	-	-
February	143.8	14.7	2.1	127.4	144.5	-	-	29.0	115.5	+ 0.7		-	-	-
March	152.9	71.1	12.5	69.3	133.3	-	-	24.5	108.8	- 19.6		-	-	-
April														
May														
June														
July														
August														
Week Ended														
March 15, 1944	60.1	52.5	4.1	3.5	34.8	-	-	15.0	19.8	- 25.3		-	-	-
March 22, 1944	6.7	1.0	-	5.7	29.8	-	-	-	29.8	+ 23.1		-	-	-
March 29, 1944	12.0	6.8	-	6.0	43.5	-	-	-	43.5	+ 30.7		-	-	-
April 5, 1944	75.0(l)	9.4	8.4	57.2(l)	16.9(k)	-	-	6.5	10.4(k)	- 58.1		-	-	-

1. Since the outbreak of war
 England (through June 19, 1940) \$19.6 million
 England (through June 20, 1940 to March 12, 1941) \$54.9 million
 England (since March 12, 1941) \$21.0 million

See attached sheet for footnotes.

Regraded Unclassified

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) For monthly breakdown see tabulations prior to September 29, 1943.
- (k) Includes \$ 5.3 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports.
- (l) Of which \$50.1 million represents cost of gold purchased for export.

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

Week Ending April 1, 1944

TIME	BANK OF CANADA (and Canadian Government)									COMMONWEALTH BANK OF AUSTRALIA								
	DEBITS				CREDITS					DEBITS			CREDITS			OTHERS		
	Total	Balance	Transfers	Other	From Official	For Govt	For French	Other	Net Incr.	Total	Balance	Other	Total	Proceeds	Other	Net Incr.		
		A/C			Reserves	A/C	A/C	Credits	(+) or					of Gold	Credits	(+) or		
									Decr. (-)					Sales		Decr. (-)		
									\$ Millions							\$ Funds (e)		
Week ending prior to	323.0	15.6	306.4	304.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9		
the period through																		
October 1, 1943	477.2	15.6	461.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5		
Week ending prior to	460.4	-	460.4	460.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0		
March 1, 1944	524.8	0.3	525.1	526.3	298.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	- 5.0		
Week ending prior to	723.6	-	723.6	928.3	47.3	170.4	-	741.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4	+ 3.4		
1943																		
January	47.2	-	47.2	70.1	-	10.6	-	59.5	+ 22.9	16.8	15.0	1.8	20.0	-	20.0	+ 3.2		
February	52.1	-	52.1	71.3	-	-	-	71.3	+ 22.2	42.8	40.3	2.5	26.5	-	26.5	+ 15.3		
March	11.9	0.1	12.0	25.1	-	5.9	-	89.2	+ 79.7	6.6	3.5	3.1	18.2	-	18.2	+ 11.6		
April	10.8	0.1	10.9	15.1	-	-	-	55.1	+ 91.7	39.7	26.5	3.2	27.0	-	27.0	+ 12.7		
1944																		
January	22.3	-	22.3	78.5	-	10.6	-	67.9	+ 46.2	6.0	1.0	5.0	11.3	-	11.3	+ 5.3		
February	25.4	-	25.4	116.5	23.1	2.1	-	93.3	+ 93.1	31.3	29.0	2.3	28.6	-	28.6	+ 2.7		
March	30.3	0.5	30.8	84.6	15.0	12.5	-	61.1	+ 58.3	27.6	24.5	3.1	24.7	-	24.7	+ 2.3		
April																		
May																		
June																		
July																		
August																		
September																		
October																		
November																		
December																		
Week ending prior to	5.7	-	5.7	26.4	15.0	4.1	-	7.3	+ 20.7	15.6	15.0	0.6	15.4	-	15.4	- 0.2		
March 22, 1944	5.6	0.5	6.1	10.6	-	-	-	10.6	+ 4.7	-	-	-	0.9	-	0.9	+ 0.9		
March 25, 1944	12.1	-	12.1	4.1	-	-	-	4.1	- 6.7	0.1(r)	-	0.1(r)	4.6	-	4.6	+ 5.1(r)		
April 1, 1944	117.4(r)	-	117.4(r)	38.5(r)	-	8.4	-	31.1(r)	- 13.1	8.0	6.5	1.5	10.1(r)	-	10.1(r)	+ 2.3		

Source: Bank of Canada (a) and (b)

First year of war 6.3 million.
Second year of war 8.9 million.
Third year of war 20.1 million.
Fourth year of war 12.0 million.
Fifth year of war 14.4 million.

- (a) For monthly breakdown see tabulations prior to April 23, 1941. (r) Revised
(b) For monthly breakdown see tabulations prior to October 8, 1941.
(c) For monthly breakdown see tabulations prior to October 14, 1942.
(d) For monthly breakdown see tabulations prior to September 29, 1943.
(e) Surface charges on all dollar holdings payable in cash or maturing in one year.
(f) For dollar holdings payable in cash or maturing in one year.
(g) For dollar holdings payable in cash or maturing in one year.
(h) For dollar holdings payable in cash or maturing in one year.
(i) For dollar holdings payable in cash or maturing in one year.
(j) For dollar holdings payable in cash or maturing in one year.
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(n) For dollar holdings payable in cash or maturing in one year.
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(p) For dollar holdings payable in cash or maturing in one year.
(q) For dollar holdings payable in cash or maturing in one year.
(r) For dollar holdings payable in cash or maturing in one year.
(s) For dollar holdings payable in cash or maturing in one year.
(t) For dollar holdings payable in cash or maturing in one year.
(u) For dollar holdings payable in cash or maturing in one year.
(v) For dollar holdings payable in cash or maturing in one year.
(w) For dollar holdings payable in cash or maturing in one year.
(x) For dollar holdings payable in cash or maturing in one year.
(y) For dollar holdings payable in cash or maturing in one year.
(z) For dollar holdings payable in cash or maturing in one year.

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Treasury Department
Division of Monetary Research

Date April 17, 1944
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To: Miss Chauncey

For the Secretary's information.

H.D.W.

MR. WHITE
Branch 2058 - Room 214½

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 14, 1944

TO Secretary Morgenthau
FROM Mr. H. D. White *HDW*
Subject: Status of F.E.A. Negotiations with British on Lend-Lease

The F.E.A. reports that as of March 14, 1944 the British had agreed to the elimination of all but three of the items which they had proposed should be eliminated from lend-lease. The items agreed to will total an estimated \$250 million annually and are as follows:

(In millions)

Storage and freight charges on non-Lend-Lease cargoes.....	\$ 90
Off-shore purchases of Caribbean sugar and molasses and Iceland fish.....	80
Civilian goods with civilian end uses, including business machines and office equipment.....	33
Canadian alcohol for the U.K.....	22
Petroleum products for Empire Air Training Program.....	15
Civilian goods for British areas in the Middle East.....	5
Savory food products.....	<u>5</u>
Total.....	\$ 250

Discussions are continuing with the British on the following three items:

(In millions)

Off-shore purchases of petroleum.....	\$ 25
U.S. petroleum for Empire Air Training Program in Canada.....	9
Charter hire on Dutch vessels under charter to the British.....	<u>3.5</u>
Total of items still being discussed..	\$ 37.5

Notwithstanding the above reduction in our Lend-Lease program, British gold and dollar balances may be expected to continue to rise. On March 1, 1944 the British Government held \$1,896 million of gold and dollars against which they claim offsetting liabilities of \$461 million.

Division of Monetary
Research

- 2 -

Incidentally the British purchased another \$50 million of gold a few days ago bringing the total of such purchases since December 30, 1943 to \$300 million. Almost all of this gold is being shipped to London.

THE JOINT CHIEFS OF STAFF
WASHINGTON 25, D. C.

SECRET

14 April 1944.

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

Dear Mr. Secretary:

Further reference is made to your memorandum dated 1 February 1944 to the Secretary of War relating to the disbursement of funds to refugees presently on the Island of Rab in the Adriatic.

A reply to the inquiry transmitted to the Allied Commander in Chief, Mediterranean Theater, has now been received stating: (1) that the proposal was being communicated to the headquarters of the Yugoslav Partisans and that he would inform us of the results of the negotiations; (2) that the local representative of the War Refugee Board had been advised of this action; (3) that the previously expressed views of the theater opposing, for military reasons, the rendering of aid to these refugees had been partly revised due to a present ability to care for displaced persons in Italy because arrangements had been made to evacuate dissident Chetnik elements and 25,500 Partisan refugees from Italy to the Mideast; and (4) that the success of the proposal may be affected by (a) the disinclination of the Partisans to lend their aid if the refugees are in part Chetniks, (b) a rumored German assault on Rab, and (c) the hazards of evacuation due to the distance from Allied occupied Italy.

The Germans have reoccupied Rab since dispatch of the foregoing reply. However, it need not be implied from that fact that the project you mention must be abandoned and upon receipt of more detailed information concerning the outcome of negotiations with the Partisans you will be advised of the feasibility of the proposed action.

Sincerely yours,

For the Joint Chiefs of Staff:

W. H. H. H. H.
Chief of Staff, U.S. Army.

SECRET

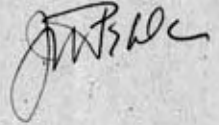


April 18, 1944 180

TO: Secretary Morgenthau

FROM: J. W. Pehle

Ernst has advised me informally
that he has also sent word of this
possibility to "higher authorities".



COPY

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GREENBAUM, WOLFF & ERNST
285 Madison Avenue
New York 17, N.Y.

Telephone Caledonia 5-1582

April 14, 1944.

Hon. John W. Pehle
Chairman, War Refugee Board
Executive Office of the President
Washington 25, D.D.

Dear John:

What is there to the rumor that Tom Dewey is going to come out with some kind of a proposal to allow 100,000 temporary refugees to come into the United States?

In view of the trouble he is in on all of the racial problems, this might be a smart, though less than honest move, on the part of our Governor.

Yours,

/init./ M.E.E.

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

DATE APR 14 1944

TO Secretary Morgenthau
FROM J. W. Pehle

For your information

We first heard of the March 2 cable (copy attached) on Saturday, March 11 or Monday, March 13 when George Warren suggested to Lesser that we might reconsider our proposed cable to Bern (sent over to State for transmittal on February 21) in the light of the Inter-governmental Committee's report and recommendations that it embodied. Warren said that it had only reached his desk the day before. We had not seen any such cable and after making a thorough check, Warren was advised that no such cable had been sent over to the Board. Warren thereupon undertook to have a copy sent over to us, but when none was forthcoming, we sent a special messenger to State's code room to get a copy of it. Warren's attention has been forcibly called to this situation.



COPY

183

HS-713

PLAIN
London

Received by War Refugee
Board on March 14, 1944.

Dated March 2, 1944

Rec'd 10:16 p.m.

Secretary of State

Washington

1708, 2nd.

CONFIDENTIAL FOR LIMITED DISTRIBUTION

Director IGC has written Embassy further regarding passports referred to in Embassy's 1543, February 24th. His letter dated February 29th which suggests at its conclusion certain action by Department states as follows:

"Doctor Kullmann has returned from Switzerland where he was able to obtain a good deal of information. He discussed the matter with various Swiss authorities, with the United States Minister, the Polish Minister, the International Red Cross and with representatives of several voluntary organizations.

The facts are briefly as follows. There has been a large trade in passports. It is estimated that 4,000 have been issued from Switzerland and it is known that others have been issued from other neutral countries including Sweden. Some informants estimated the total number to be as high as nine to ten thousand but some thought that it did not exceed 5,000. In

-2- #1708, 2nd, from London

Switzerland it was organized by private individuals and reached such proportions that the Swiss Federal Government had to intervene since it threatened to embarrass their position and to give the German authorities the pretext of interfering with the Swiss administration of refugees affairs a matter in which the Swiss Government has hitherto successfully avoided any intervention and has been able to carry out a liberal policy to the great advantage of refugees in general. Legal action was taken against several of the organizers and at the same time enquiry was made regarding the authority of some of the representatives of the South American states to carry on these transactions. Doctor Kullmann was informed for instance that the Honduras Consul who had lost his exequatur for other reasons in 1942 had subsequently issued 400 passports. He further learnt that the Consuls in Switzerland of Haiti, Paraguay and Peru had been dismissed. The average price paid for a passport was approximately 700 Swiss francs. On the other hand the Consul of San Salvador has acted from purely humanitarian motives and has charged no fee at all.

There seems little doubt that the German authorities are aware of what has been going on but for reasons of their own they have hitherto not adopted a general policy of

-3- #1708, 2nd, from London

withdrawing the passports. While in many cases the possession of these documents has afforded the owners protection against persecution and even special treatment in some of the camps, in other cases they have afforded no protection at all and particularly so where the persons concerned were not interned. Originally the German authorities seem to have cherished the hope that the persons with these South American passports might constitute a basis for the exchange of German nationals in South American countries and it is not improbable that they still have vague hopes of this. Other reasons have been suggested for their lack of consistency. Recently however they have been making enquiries through some of the protecting powers of the South American Governments concerned regarding the genuineness of the documents and they have been submitting lists of persons concerned with a view to verification.

Of the countries mentioned in your letter of the 13th January the Consuls in Switzerland of Chile, Haiti, Paraguay, Peru and probably Ecuador were concerned in the issue of passports. It is probable though not certain that passports of Costa Rica, Nicaragua and Venezuela have been issued by Consuls in countries other than Switzerland.

-4- #1708, 2nd, from London

The above is a brief statement of facts. In regard to action the Swiss authorities are very definite that any approach to the German authorities would not only infructuose but would do more harm than good. There remains the approach to the Governments of the countries concerned which I mentioned in my letter of the 21st February. It is now clear that this approach should cover two points, (first) that the Governments should refrain from withdrawing the passports which have been issued and (second) that if and when the protecting power on the request of the German authorities submits lists of persons with such passports they should instruct the protecting power that the passports have been confirmed. The second is a new point but a very important one and I would ask that the State Department be requested to include it in its representations. I would also request that representations be made to the Government of San Salvador".

WINANT

EDA

MEMORANDUM

April 14, 1944

TO: Mr. John Pehle, Executive Director, War Refugee Board.

FROM: Sir Herbert Emerson, Director, Intergovernmental Committee on Refugees.

SUBJECT: The Intergovernmental Committee on Refugees and its Working Relations with the War Refugee Board.

The Intergovernmental Committee on Refugees was formed as a result of the conference which was convened, on the initiative of President Roosevelt, at Evian, in July 1938. Its membership prior to August 1943 consisted of the following twenty-eight governments: Argentine Republic, Australia, Belgium, Bolivia, Brazil, Canada, Chile, Colombia, Denmark, Dominican Republic, Ecuador, France, Haiti, Honduras, Ireland, Mexico, Netherlands, New Zealand, Nicaragua, Norway, Paraguay, Peru, Sweden, Switzerland, United Kingdom, United States, Uruguay, and Venezuela.

The persons coming within the early mandate of the Committee were those Germans, Austrians and Sudetenlanders who had not yet left their countries but who were being forced to emigrate on account of their political opinions, religious beliefs or racial origin, and those who had already left but who had not yet established themselves permanently elsewhere. The main purpose of the committee at the time of its establishment was to arrange, by discussion with the German authorities, an orderly system of migration; this involved the finding of permanent homes for many refugees, and the member governments made valuable contributions in this respect. They also assumed the liability of financing the meetings of the committee and its administrative expenditure, but did not assume any obligations for the financing of involuntary emigration.

During the four years following the outbreak of war, the activities of the committee were restricted by war conditions, the limited nature of its mandate, and the lack of financial resources. But in August 1943 the executive committee - consisting of the governments of the Argentine Republic, Brazil, Netherlands, United Kingdom, United States, and the French Committee of National Liberation - met to consider certain suggestions made by the United Kingdom and United States as a

result.....

- 2 -

result of the discussions which took place between the delegates of their governments at Bermuda in the preceding April. The recommendations adopted by the executive committee involved a great expansion of the committee's membership, scope, functions and finances.

Twenty-one additional governments were invited to join the committee: Costa Rica, Cuba, Czechoslovakia, Egypt, Ethiopia, Greece, Guatemala, Iceland, India, Iran, Iraq, Luxembourg, Panama, Poland, Portugal, Salvador, South Africa, Spain, Turkey, Union of Soviet Socialist Republics, and Yugoslavia. Affirmative replies have so far been received from Czechoslovakia, Egypt, Iceland, India, Luxembourg, Poland, South Africa, and the Union of Soviet Socialist Republics - bringing the present membership of the Committee to thirty-six. During this period when acceptances of newly-invited members and ratifications of previous members are being received, the executive committee has been operating on the basis of the expanded mandate.

That mandate now includes, as may be found necessary and practicable, in addition to those previously covered, those persons, wherever they may be, who, as a result of events in Europe, have had to leave, or may have to leave, their countries of residence because of the danger to their lives or liberties on account of their race, religion or political beliefs. With regard to persons coming within the expanded mandate, the executive committee is empowered to undertake negotiations with neutral or Allied States or organizations, and to take such steps as may be necessary to preserve, maintain and transport the refugees. For the purposes enumerated above, the executive committee is empowered to receive and disburse both public and private funds.

Administrative expenses are shared by all member governments. With regard to operational expenditure, the governments of the United Kingdom and the United States have agreed, subject to legislative consent, to underwrite it jointly on the conditions, first, that all projects which come within this offer shall be considered individually, and the two governments consulted before a project is sanctioned or expenditure incurred thereon; and, second, that when a clearer idea has been obtained of the money required for the efficient conduct of the committee's work under its new commitments, an invitation shall be addressed to all the member governments inviting them to contribute to this expenditure also, in accordance with their abilities and their interest in the humanitarian work of the committee.

This humanitarian work falls into three classes (1)
Measures relating to persecuted persons still within the

territory.....

territory of Germany and her European allies or territory occupied or controlled by them - measures for their rescue or escape from such areas, and measures for their preservation within such areas. These measures will be necessary for persons in each such area until the threat of persecution is ended - i.e., until Allied victory is achieved in a particular area or for the whole of Europe. (2) Pre-armistice measures relating to persecuted persons who may have escaped or been rescued from such areas, or may yet escape or be rescued - measures for their physical relief (food, clothing, shelter, medical service), transport, employment, welfare, etc. These measures will be necessary, in neutral or liberated or conquered areas, until the allies are victorious over the whole or a considerable portion of Europe. (3) Post-armistice measures - measures for interim relief, for repatriation, and for permanent resettlement of those who cannot be repatriated.

Under the authority of the executive committee the director's office has been at work on all three types of measures since last August. The Assistant Director has visited Switzerland at the invitation of the Swiss Government, stopping in Spain and Portugal on the way; and the Vice Director has visited French North Africa, Italy, Egypt, Palestine and Turkey. Our resident representative for Italy, attached to the headquarters of the Allied Control Commission, has already begun his activities; our resident representative for French North Africa will begin work in a few days; and it is anticipated that a third representative will soon be installed in Cairo to cooperate in the Middle Eastern work of UNHCR. A comprehensive agreement with UNHCR as to respective responsibilities is far advanced - the principle being that UNHCR, wherever and whenever it operates, will handle physical relief and initial mass repatriation, and that the Intergovernmental Committee will handle the non-relief needs of the displaced people who cannot be repatriated with reasonable speed. A plenary session of the Intergovernmental Committee is scheduled for the early summer.

According to Executive Order 9417, dated January 23, 1944, establishing the War Refugee Board, that board is charged with the responsibility of giving effect to the policy of the American government "to take all measures within its power to rescue the victims of enemy oppression who are in imminent danger of death and otherwise to afford such victims all possible relief and assistance consistent with the successful prosecution of the war". The order states further that the board "shall cooperate with all existing and future international organizations concerned with the problems of refugee rescue, maintenance, transportation, relief, rehabilitation, and resettlement." The groundwork is thus laid for working relations between the War Refugee Board, and American agency concerned with rescue and relief from enemy oppression, and the Intergovernmental Committee, an international agency

concerned.....

- 4 -

concerned with that as well as other responsibilities - an international agency in whose founding and recent reorganization the American government took a leading part.

Building on this foundation, we are now engaged in discussions to insure the maximum benefit to the cause which we both serve, with the minimum of duplication and confusion. It appears that the War Refugee Board conceives of its activity as coming solely within the first class of work mentioned above in my description of the activities of the Intergovernmental Committee, i.e., immediate rescue and relief, except for an interest in a relatively few projects falling within the second class of work - i.e., pre-armistice care of rescued or escaped persons - which may bear directly on the success of rescue enterprises. On the other hand - though the following statements must not be interpreted as binding the executive committee, which will come to its decision after my report on our present discussions has been submitted - it would seem that the presence of neutrals within the membership of the Intergovernmental Committee, and the limitation of its executive committee to negotiations with neutral or Allied States or organizations, imply that certain measures for rescue and relief can be better undertaken by national bodies, such as the War Refugee Board in the case of the United States.

For example, radio broadcasts intended to promote escape or preservation seem not suitable for the Intergovernmental Committee. Operations relating to the removal of persecuted persons from the Balkans through Turkey seem at present to be best carried out by the War Refugee Board acting in cooperation with other interested governments, and, so long as this is so, the Intergovernmental Committee will not wish to enter this field. Licenses to American philanthropic organizations for transferring funds abroad are of course the province of the War Refugee Board.

More generally, it would seem imperative that the War Refugee Board and the Intergovernmental Committee keep each other fully, regularly and promptly informed of proposed and actual activities; and that their field representatives, in countries where both bodies are represented, should be instructed to cooperate in the same way. Any operational project submitted by the Intergovernmental Committee for the consideration of the governments of the United Kingdom and the United States in accordance with the procedure already approved by the two governments should be considered on its merits; and, if it is jointly financed by the two governments, it should usually be administered by the Intergovernmental Committee, but there might well be special circumstances which would make it appropriate and convenient for a given project to be carried out in partnership between the Intergovernmental Committee and the War

Refugee.....

- 5 -

Refugee Board, or otherwise.

In one respect it is possible to speak for the executive committee with all possible confidence. It would desire me to offer to the officials of the War Refugee Board our unstinted cooperation. The comprehensive responsibility which is borne by the Intergovernmental Committee is so large, and the rescue and relief operations on which it has been working - energetically but quietly - since last summer are so tragically urgent and so often disappointing in their results at the last moment, that we need the closest possible association with the fresh vigor and interest which the War Refugee Board represents.

/s/ H. W. Emerson
4/21/44

RCC-62

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

Algiers

Dated April 14, 1944

Rec'd 7:05 a.m., 15th.

Secretary of State

Washington

1244, April 14, 6 p.m., (SECTION ONE)

FOR WAR REFUGEE BOARD FROM ACKERMAN

War Refugee representative No. 13.

Survey of dissemination of President's statement reference War Refugee Board No. 1 dated March 25. Press carried statement in various forms for one week. Local persons of prominence made statements. While this included no French officials, Bonnet, Commissaire of Information, assisted in press dissemination. United Nations radio Algiers repeated statement or excerpts for about one week in four languages. No report received yet from OWI in Italy. Two batches of clippings and statements already sent by mail.

CHAPIN

BB

MFG-217

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

Algiers

Dated April 15, 1944

Rec'd 5:11 p.m.

Secretary of State,
Washington.

1244, April 15, 6 p.m., (SECTION TWO).

A third batch will leave today. In addition Algiers radio relays OWI broadcasts from London and New York which probably included this material. No record available of amount of use of statement therein.

Section Two. Since April 1 Algiers radio has used statement twice in connection with news broadcasts. Directive of local OWI office for week April 10 states that it should be used in connection with stories on resistance and atrocities. It is questionable whether this directive will result in much further use of statement.

Section three. As you want story kept alive, suggest you ask OWI to include statement in broadcasts which are to be relayed by local station. It will help if OWI, Washington, gives further instructions on subject to its Algiers representatives.

(END OF MESSAGE).

CHAPIN

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
 TO: AMERICAN EMBASSY, RIO DE JANEIRO
 DATED: April 14, 1944
 NUMBER: 1215

CONFIDENTIAL

FROM WAR REFUGEE BOARD TO AMERICAN EMBASSY, RIO DE JANEIRO.

With reference to the Department's circular airgram of January 26, 7 p.m. and to your despatch no. 14890 of March 11, 1944, you are informed that the Department has now authorized the American consular officers in Switzerland to issue up to four thousand quota-immigration visas to refugee children under sixteen years of age without regard to religion, nationality or stateless status, to close relatives residing in enemy, enemy-occupied or controlled territory, or to the availability of means of transportation to the United States. The purpose of this authorization is to facilitate the escape to Switzerland of orphaned or abandoned children by giving assurances to the Swiss Government that these children will now remain its charge after the termination of hostilities in Europe. The authorization contains provisions for the continued renewal of the visas until such time as adequate transportation facilities to the United States become available. Private sources have posted bond with the Attorney General to assure this Government that the immigrating children are not likely to become public charges.

If, in addition to those children mentioned in your despatch no. 14890, there are private agencies in Brazil willing and able to undertake a program for the care of refugee children, regardless of religion, the War Refugee Board is confident that it can make arrangements to provide these agencies with adequate funds for the maintenance, education and welfare of as many children as the Brazilian Government would be willing to grant entry. Should they prove necessary, funds would undoubtedly be available to meet transportation expenses from Switzerland to Brazil. In view of Senhora Vargas' known interest in charitable undertakings, the War Refugee Board hopes that you will be able to approach her regarding this program with a view to obtaining such cooperation and leadership in Brazil as she may care to give.

Would you approach appropriate officials of the Brazilian Government informing them of the foregoing and requesting them to give assurances to the Swiss Government through their diplomatic mission in Bern of Brazil's willingness to accept the five hundred Jewish children and as many more refugees children as may be possible in a manner similar to this Government's offer. For the information of the Brazilian Government, it is conservatively estimated

that.....

- 2 -

that there are in France alone approximately eight to ten thousand abandoned or orphaned refugee children. Should the Brazilian Government be willing to make this further humanitarian offer, please request the Minister of Foreign Affairs to authorize its Chief of Mission in Bern to issue the appropriate number of immigration visas and to maintain their validity until suitable transportation facilities from Switzerland to Brazil become available. The Brazilian Government may be informed that the special representative of the War Refugee Board attached to the American Legation in Bern will be glad to cooperate with the Brazilian diplomatic and consular officers in this as well as the all other refugee matters.

Please report by telegraph whether this suggestion has been received favorably by the Brazilian Government, and if so, the number of additional children it is prepared to admit.

A report has been received by the War Refugee Board that Senhor Juan Alberto, Minister of Economic Coordination, recently stated in a private interview that he believes that Brazil could reasonably undertake a progressive five-year program for the settlement of Jewish and other European refugees beginning with one hundred thousand during the first year. The state of Goias was suggested by Senhor Alberto as having climatic conditions and natural resources suitable for colonization by Europeans. It is understood that the Ministry is preparing a plan for transmission to the War Refugee Board. Any further information concerning the plan that the Embassy can submit, together with its comments thereon, will be appreciated by the Board.

HULL

CABLE TO AMBASSADOR WINANT, LONDON FROM WAR REFUGEE BOARD

Please refer to our No. 2516 of March 31.

Ambassador Steinhardt has just advised that there are a number of refugees who can be evacuated from Rumania in addition to those who can be carried in the one Turkish vessel for which charter negotiations are still continuing. Within the last few weeks approximately 500 refugees have been brought to Turkey on small Bulgarian boats. It is therefore extremely urgent that additional shipping be obtained without delay.

During the course of negotiations for a Turkish boat Ambassador Steinhardt suggested that we undertake to obtain from the Swedish Government permission to divert one or more of the ships carrying relief supplies to Greece for use in evacuation operations from Constanza to Turkey. Ambassador Steinhardt felt that this procedure was desirable in view of the delay in obtaining a Turkish ship and in view of the fact that the Greek relief ships of which there are twelve or thirteen in service were the closest to Turkey and could most easily be sent to Constanza. A request along these lines was addressed to the Swedish Government through the Ambassador here. In reply the Swedish Government indicated that certain obstacles such as obtaining the consent of the German, British and Canadian Governments would have to be overcome before a Greek relief ship could be used for evacuation of refugees. The Swedish Government indicated however that if these conditions and certain others could be met one ship, the SS BARDALANDA, arriving in Salonika about March 15, might be used.

The British Government apparently did not desire to have any Greek relief ships diverted for refugee evacuation. It is understood that the British Legation in Stockholm felt that any extraneous delay in the shipping schedule for Greek relief would have serious and deplorable effects. Hereover, the Board has been advised by the Washington representative of the Ministry of Economic Warfare that even a small loss of tonnage in the Greek relief schedule might leave a serious gap in deliveries. The Ministry of Economic Warfare suggested that it may be possible to reopen the question when four ships which are to be added to the Greek relief fleet have actually left the Baltic. The Ministry added however that even as it would be difficult to use a relief ship for this purpose and expressed the hope that ships can be obtained for this purpose in other quarters.

We have now received from Ambassador Steinhardt the following cable with respect to the necessity of obtaining one of the Greek relief ships for evacuation purposes:

QUOTE. Baron de Platen, Second Secretary of the Swedish Legation in Ankara, still offers hopes for the availability a Swedish vessel to transport refugees from Constanza to Haifa. This would be in addition to the TANI or any others, the SS BARDALANDA now in Istanbul is not fitted with equipment or life saving devices for refugee conveyance. Platen will explore

-2-

the possibilities of reequipping the vessel for this purpose. The BARDALANDA is scheduled to sail today to arrive in Piraeus (Athens) on April 25 and scheduled thereafter to sail for Constanza. Platen believes that Stockholm could be induced to have this vessel return to Istanbul and thence to Constanza to embark refugees to Haifa. I have not been informed except indirectly through the State Department radio bulletin regarding the reply of the Swedish Government to our request through the Swedish Minister here and your request through Washington for a Swedish boat. In spite of any refusal by the Swedish Government I recommend that the Board urge Stockholm to give instructions to make the BARDALANDA available the latter part of April. This of course is not in lieu of the proposed trip of the SS TARI but in addition thereto. UNQUOTE

In view of the urgency of the situation the Board would appreciate it if you would immediately discuss this matter with appropriate officials of the British Government with a view to obtaining that Government's consent to the use of the SS BARDALANDA for the purpose indicated in Ambassador Steinhardt's cable. As soon as such approval is obtained you should also discuss the matter with the Swedish Ambassador in London asking him to communicate to his Government this Government's request for the use of the BARDALANDA, and asking them to approach the German Government to obtain the necessary safe conduct. In your discussions with the British you may wish to make clear that time is of the essence and that the rescue of additional refugees in imminent danger of death depends upon this boat being made available to the War Refugee Board.

April 14, 1944
9:55 A.M.

JEF:bbk - 4/13/44

AGK-767

PLAIN

London

Dated April 14, 1944

Rec'd 1:55 p.m.

Secretary of State,
Washington.

3033, Fourteenth

FOLLOWING FROM KULLMANN TO EMERSON CARE WAR
REFUGEE BOARD:

"According cables Jewish Agency, Jerusalem, new commander Vittel Camp advised March 20 about 250 to 300 internees holding South American passports that they were not recognized by government concerned. It is alleged these persons already isolated for deportation which caused panic and despair. Agency here has partial list of people affected, mostly Polish Jews previously put on list of veteran Zionists, Rabbis, et cetera, for grant of Palestine certificate. Comparing with our list of Vittel internees out of partial Agency list of people affected 128 names passports held as follows: Paraguay 105, Peru 7, Nicaragua 4, Costa Rica 9, Honduras 2, Bolivia 1. Agency trying to obtain from Colonial Office formal assurance to Swiss protecting power that these persons placed on Palestine exchange list in order to stave off deportation. Can you contact above Latin American governments involved? There may be others as list not complete. Please advise."

WINANT

JT

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMLEGATION, Tangier
DATED: April 14, 1944, 3 p.m.
NUMBER: 47

SECRET

War Refugee Board sends the following for Elbrick.

In connection with the following we refer to the message from Rabbi Kalmanowitz and Stephen Klein of Vaad Hahatzala contained in the Department's cable of March 30, 1944, no. 38.

It is requested that you advise Renee Reichman to give you the names of all persons who are to receive the parcels of food. The list of names given to you by Mrs. Reichman should be forwarded to the American Legation at Lisbon for checking against the list held at the present time by Dr. Joseph Schwartz, 242 Rua Aurea, Lisbon, in order to insure that the packages are received by the persons for whom they are intended.

HULL

FROM WAR REFUGEE BOARD TO NORWEB AND DEXTER

Please discuss with Weisman of World Jewish Congress his proposal to request Portuguese Government for creation of a reception center for children coming from France. Report full details to Board, giving reasons for proposal and your reactions.

THIS IS WEB LISBON CABLE NO. 2

April 14, 1944
3:15 p.m.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: The American Minister, Lisbon
TO: The Secretary of State, Washington
DATE: April 14, 1944
NUMBER: 1106

SECRET

Transmission of the substance of the following paraphrase to Leavitt, Joint Distribution Committee, New York, through the War Refugee Board is requested by Joseph Schwartz.

Carrying 243 passengers the ship MILCA has arrived in Istanbul from Constanza. It is expected that the International Red Cross ship BELLACITA will arrive with (?) children and 15 adults aboard and the steamer MARITZA arrived on April 10 with 244 refugees. In groups of about fifty and at regular intervals Turkish repatriates coming from France are arriving. We are meeting entirely the costs of their care.

NORWEB

DCR:MPL
4/17/44

RCC-735

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (8000)

Stockholm

Dated April 14, 1944

Rec'd 12:11 p.m.

Secretary of State

Washington

1271, April 14, Noon.

OLSEN'S NO. 2 FOR WAR REFUGEE BOARD.

Have discussed fully with Tranmael of Norwegian Federation of Labor scope and purposes of recent licenses issued to American relief for Norway. He is prepared to initiate operations for rescue and relief immediately and enthusiastic regarding prospects, particularly Norway. He requires funds since funds previously obtained from Swedish labor group for similar operations are exhausted. Suggest that \$50,000 be cabled him but recommend that problem be explored of transmitting these funds through non-banking channels since Riksbank is certain to become nervous and place reporting restrictions on use of funds.

JOHNSON

REP

TO HARRISON AT BERN FOR MC CLELLAND FROM WAR REFUGEE BOARD

Suggest you contact Rev. Gustavo Castelbolognesi, former Chief Rabbi of Milan now at Touring Hotel at Lugano, concerning evacuation of refugees from Northern Italy.

April 14, 1944
3:15 p.m.

FMH-709

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

Bern

Dated April 14, 1944

Rec'd 9:20 a.m.

Secretary of State,

Washington.

2313, April 14, 5 a.m.

FOR CLARENCE PICKETT AMERICAN FRIENDS SERVICE
COMMITTEE 20 SOUTH 12 STREET PHILADELPHIA PENNSYLVANIA
FROM ROSWELL MCCLELLAND:

"Am accepting appointment as War Refugee Board representative in Switzerland as I feel it unique opportunity for service to larger refugee relief cause. My immediate concern future service committee's Geneva office as I must resign as your delegate althou will probably be able exercise some unofficial supervision. Suggest Marjorie undertake duties official service committee delegate seconded by whatever additional office assistance necessary. Probably Anne Archinard well known to Margaret Jones will accept full time position beginning mid-April assist Marjorie continue essential office services. Clothing distributions well under way since beginning January and running smoothly. Duties my new position fortunately will embrace many interests activities contacts which I am already pursuing. Gratified War Refugee Board places this confidence in service committee and its representatives. Warm regards."

37.33

HARRISON

RR

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: April 14, 1944
NUMBER: 2315

SECRET

Reference my 2236, dated April 11.

(1) In compliance with the request of Mr. Pilet Golaz, I called on him April 12 and he explained to me that exit permits for children in question was the specific request made of Laval by Minister Stucki. Therefore, if you should so desire, Pilet Golaz is ready to instruct the Swiss Legation at Vichy to endeavor to obtain permission for children in question to come to Switzerland, but he could only expect an equally negative answer in view of the flat refusal given Minister Stucki.

(2) In reference to your 1090, March 31, while he saw no objection, Mr. Pilet frankly did not believe that Laval's position would be modified by the eventual support of Portuguese and Eire Governments.

HARRISON

HKS-683

Bern

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

Dated April 14, 1944

Rece'd 6:30 p.m.

Secretary of State

Washington

2830, April 14, 9 a.m.

Reliable source here gives the following information on recent developments in the Jewish situation in Hungary:

One. The Hungarian personalities actively carrying out the German influenced anti-Semitic campaign of the Sztojay Government are largely Interior Minister, Javros, his special assistant Laszlo Bodro, Interior Under Secretary Laszlo Baky, and Government Commissioner for Intellectual professions Stefan Kulcsar, with Bodro and Kulcsar in direct charge. The Hungarian military authorities support the program, the army definition of Jew has been made of General application, and the restrictions relating to the use of the motor car and telephones, prohibition to travel except on urban transportation facilities and prohibition to leave Budapest or cross the frontier are enforced as military measures authorized by Hungarian National Defense Act. Other restrictions relating to public and professional activities follow Star, exclusion from press, radio, theatrical and motion picture enterprises are based on the racial laws of 1939 and 1941, and the program thus finds its legal basis in legislation enacted prior to the accession of the present Government.

Two. Kulcsar began on April 1 to place pressure on banks and large commercial and industrial enterprises to force them to discharge immediately at least one half of their Jewish personnel with the remainder to be dismissed by September 30. Liquidation of the smaller private enterprises is expected. Liquidation of the smaller private enterprises is expected. It is to be to take some time and to require new legislation. It is to be carried out on the French, Dutch and Polish models. Establishment of Ghettos in the Polish style or internment centers as in the prototype is foreseen but mass deportations eastwards will depend upon military developments.

Three. Jews have been forbidden to leave Budapest despite the official evacuation of the city. However, many are being evicted from their apartments to furnish living quarters for bombed out Hungarians. Those among the 800,000 refugee Jews who seek to return to their original homes in Slovakia, Serbia, and Croatia are not permitted to cross the frontier. It is expected that younger Jews of both sexes will be drafted into military labor battalions for auxiliary service under the direction of the army. Such service has been required on a relatively small scale during the war years but may not be

-2-

greatly expanded.

HARRISON

MEV

PARAPHRASE OF TELEGRAM RECEIVED

FROM: The American Minister, Bern
TO: The Secretary of State, Washington
DATE: April 14, 1944
NUMBER: 2345

SECRET

As directed in your number 1192 dated April 8, a follow-up inquiry was sent on April 10 to Federal Political Department. Federal Political Department in reply refers to and confirms its note dated April 12 the substance of which was sent to you in my number 2301 dated April 13 and says further in substance that information communicated to it concerning the Turkish Government's attitude and the steps taken in the meantime by the United States Government in approaching the Government of Sweden on this subject have been noted with interest by the Political Department.

HARRISON

DCR:MPL
4/17/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: The American Minister, Bern
TO: The Secretary of State, Washington
DATE: April 14, 1944
NUMBER: 2348

SECRET

In substance the following is a paraphrase of the reply of the Swiss Federal Political Department dated April 13 to my note dated April 7 which transmitted the request of the Department that in its own name Switzerland immediately support the request of the International Red Cross Committee to all belligerents for the steamship BELLACITTA's safe conduct.

The Political Department, while eagerly desiring the materialization of the representations which the International Committee has made, will refrain from supporting them in Berlin by reason of the decision concerning the similar case of the TARI, a Turkish steamship, which the Federal Council adopted. The note of April 12 sent to the Legation of the United States answering its communication dated March 25 explains the reasons for this decision.

My number 2301 dated April 13 contained the substance of the note referred to which was dated April 12.

HARRISON

DCR:MPL
4/20/44

CABLE TO AMBASSADOR STEINHARDT, ANKARA, TURKEY FROM WAR REFUGEE BOARD

This is WRB Cable to Ankara No. 23.

Please refer to your No. 642 of April 10.

In February, immediately upon receiving your suggestion that Greek relief ships be diverted to refugee evacuation from Rumania (your Nos. 282, 299, 306) we addressed such a request to the Swedish Government through the Swedish Ambassador here. In reply the Swedish Government indicated that certain obstacles such as obtaining the consent of the German, British and Canadian Governments would have to be overcome before a Greek relief ship could be used for evacuation of refugees. The Swedish Government indicated however that if these conditions and certain others could be met one ship, the SS BANDALANDA, arriving in Salonika about March 15, might be used.

The British Government apparently did not desire to have any Greek relief ships diverted for refugee evacuation. It is understood that the British Legation in Stockholm felt that any extraneous delay in the shipping schedule for Greek relief would have serious and deplorable effects. The Board has been advised by the Washington representative of the Ministry of Economic Warfare in a letter dated April 5 that even a small loss of tonnage in the Greek relief schedule might leave a serious gap in deliveries. The Ministry of Economic Warfare suggested that it may be possible to reopen the question when four ships which are to be added to the Greek relief fleet have actually left the Baltic. The Ministry added however that even so it would be difficult to use a relief ship for this purpose and expressed the hope that ships can be obtained for this purpose in other quarters.

The contents of your No. 642 have now been cabled to Ambassador Winant with the request that he take up with the British Government as soon as possible the question of the use of the SS BANDALANDA. Ambassador Winant has been requested to emphasize to the British Government the great importance of obtaining the use of the ship at once for refugee evacuation. If approval is obtained from the British Government, Ambassador Winant is to take up the matter with the Swedish Ambassador in London, asking the latter to communicate to the Swedish Government our urgent request and further asking the Swedish Government to obtain a German safe conduct. You will be kept advised of any further developments.

April 14, 1944
9:55 A.M.

JEF:bbk - 4/13/44

SECRETCopy No. 4OPTEL No. 120

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

1. NAVAL

Adriatic 11th/12th. Allied Coastal Forces sank a convoy of six small craft off MURTER ISLAND near SIBENIK and Allied Destroyers shelled GRUZ and searchlight positions on LIKRUM ISLAND, near DUBROVNIK.

U.S. Destroyer escorting Eastward convoy was torpedoed by aircraft off ALGIERS on 11th/12th but was towed into port.

2. MILITARY

Russia Russians have re-captured OVIDIOPOL South West of ODESSA and in CRIMEA have re-taken FIODOSIA, SIMFEROPOL and EUPATORIA and claim 20,000 prisoners up to 12th.

Burma Our troops have retired down PALEL-TAMU road from their advanced positions and are concentrating nearer PALEL. Japanese attack 10 miles South of East PALEL repulsed, heavier casualties inflicted than sustained. East-North-East of IMPHAL counter attack by our troops at Battalion strength failed after initial success. No further developments KOHIMA but Japanese party still moving South West of town and another Northwards towards MOKOKCHUNG.

3. AIR OPERATIONS

Western Front 13th. 626 U.S. Heavy Bombers sent out: Principle tonnages and objectives as follows:

Messerschmitt Factory AUGSBURG	432	results good
SCHWEINFURT Ball-Bearing Factories	306	results believed good.
LECHFELD Airfield	221	results believed excellent
DORNIER Factory OBERPFAFFENHOFEN	133	results fair to good.

Enemy casualties reported by 1,154 accompanying fighters 58:9:18 in the air and 35:1:22 on the ground. Our losses 32 Fortresses, 6 Liberators and 9 fighters.

Medium, light and fighter Bombers attacked gun positions at DIEPPE 63 tons, LE HAVRE 37 tons and military constructions ABEVILLE/AMIENS area 57 tons. Marauders dropped 109 tons on NAMUR Railway Centre with fair results.

13th/14th. Aircraft despatched:

BERLIN	29 Mosquitoes
DUREN and DORTMUND	9
Sea-mining	16
Intruders	6
Leaflets	5

All returned safely.

About 15 German aircraft operated over South Eastern counties of which six reached LONDON; 2 ME.410 destroyed by night fighters. Three fatal casualties SOUTHGATE

Italy 11th. 489 Bombers and fighter bombers attacked communications in Central ITALY.

Mediterranean 11th/12th. Beaufighters destroyed four out of about one dozen enemy aircraft which attacked a convoy off ALGIERS.

RECEIVED 14 APR 1944
OFFICE

April 15, 1944
10:05 a.m.

I went to see Mr. Hull as a result of a cable which I sent the President Thursday night and his answer to me Friday in regard to appointing Willkie as the President's representative to go to Spain on behalf of the War Refugee Board.

Hull didn't have any objection to my having gone directly to the President, rather than to him first. His immediate reaction was, "I have always been a pro-Willkie man, but after I arranged for him to go to Russia and the President arranged it, and everything else, he came back and tied himself up too closely with the Republicans, and he went on a terrific harangue against the Democrats and everybody, instead of writing a report and filing it the way everybody else should do."

Then he says, "More recently he made a speech in Nebraska"--which of course at the moment I'd forgotten--"in which," he said, "he attacked the Department and Hull and the President and was very small and very petty."

He then went on to say, "After all, I had these thirty-odd so-called 'new' Congressmen in. I swore them all to secrecy. I told them more than they would learn in a year and a half outside - or anywhere else. They went right out of the room and talked, and Willkie capitalized on that. It was small and petty." He attacked Hull, and so forth and so on.

Well, to sum up, he wants no part of Willkie, because Willkie is critical of the State Department and Hull.

So I said, "Well, if that is the way you feel, I'll naturally abide by your judgment."

He said, "We'll just consider the matter closed."

Then I said to him, "You may not want to answer this question, but what is back of Wallace's going to China?"

- 2 -

He says, "I was going to ask you that question, because I know nothing about it." He said, "The President did it, himself. One of the reasons we are troubled so much of the time," he says, "is that the President does that to me and I am sure he does it to you. We learn about it afterwards, but we have to recognize that that is the way the President works, and those are the rules under which we have to work." He didn't say "rules," but "circumstances," or something like that.

And he said, "People who come in to see me tell me that Wallace is going to be on the ticket with the President, and the radical votes which Wallace will attract the President will get, anyway. He'll cost the President two million votes through people who don't believe in Wallace. It would be better to get somebody else on the ticket."

I said, "Well, the papers are interpreting it that the President wants to get rid of Wallace."

"No," he said, "he'd send him to China or anywhere else, and at the proper time put him on the ticket again the way he did last time."

He talked a little about how delicate the situation was in China. He said, "Yes, Madame Chiang is a difficult person; has a swell head." She was on the outs with T. V. Soong, and that generally ran her down.

All I said with regard to Hayes was, "You know, we are having trouble with Hayes, as I know you are."

He said he knew.

April 15, 1944
11:36 a.m.

214

HMJr: Hello.

Operator: I have Mr. Olrich. Here you are.

HMJr: Hello.

Ernest Olrich: Good morning, Mr. Secretary.

HMJr: How are you?

O: Fine, thank you.

HMJr: Well, look -- by the way, how do you pronounce your name, so I can do it right?

O: Ole-rich.

HMJr: Ole-rich. Okay. Everybody that I've inquired about you think you're good. I hope if you check up on me I get as good a record -- that you'll get as good a record. And both Mr. Sullivan and I feel that you're the man for the job.

O: Yes?

HMJr: So, I'd like to formally offer it to you now.

O: Yes, sir.

HMJr: And if you will....

O: Well, now, I've been trying all morning to get my people.

HMJr: Yes.

O: I haven't been able to get one of them. You see, our kind of business closes and the one man that I'm trying to get....

HMJr: Yes.

O:his daughter has finally got passage to England with the children -- Lady Witt.

HMJr: Yes.

- 2 -

O: I'm trying to locate him somewhere up in Connecticut.

HMJr: Yes.

O: I haven't been successful.

HMJr: Yes.

O: He left Pinehurst and he's en route and I'm going to try and get him Monday. That's Sidney Weinberg's partner.

HMJr: Oh, yes.

O: And....

HMJr: That's Bowers?

O:I'll work as fast as I can, Mr. Secretary.

HMJr: Is that Harry Bowers?

O: That's Harry Bowers.

HMJr: Yeah.

O: He's not at the office and hasn't been. He's been on a rest down at Pinehurst.

HMJr: Oh, yes.

O: And when Lady Witt got the passage to England -- her husband is a Major in the British Army....

HMJr: Yes.

O:why, she's starting for there and they have to close the house.

HMJr: I see.

O: He's started homeward and I'm trying to find him.

HMJr: Yes.

O: And I will work on this and I will lose no time.

HMJr: Well....

- 3 -

O: I will discuss it with no one and I will give you the answer just as soon as I can. I've talked to one man and he's been rather non-committal but I do not think he would interpose any objection.

HMJr: Well, I'm going on the assumption that you'd like to do it.

O: That -- yes, you can go on the assumption that I would like to do it.

HMJr: Well....

O: I'm starting with that.

HMJr: All right. Well....

O: I know what it means.

HMJr: Well, then, I'm not going to consider anybody else until I hear from you.

O: Righto. And I will work -- I may have to ask you to indulge me until next Monday when the Board meets but in the meantime, I am working to see if I can do it before then for you.

HMJr: And if you'd like me to -- I don't like to use the word "pressure", but contact....

O: You will help me if you will talk to Harry Bowers. Monday I think he will be in the office when I am Worcester.

HMJr: I don't know Bowers. I know Weinberg slightly.

O: Well, you can work through that.

HMJr: I'll do that.

O: That will help.

HMJr: I'll do that.

O: That will help very, very much.

HMJr: I'll do that.

O: Righto. I'd appreciate that, Mr. Secretary.

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HMJr: Is Sidney Weinberg in today?
O: Sidney Weinberg of Goldman & Saks.
HMJr: Is he in today?
O: That I don't know.
HMJr: We'll find out.
O: I wouldn't talk to him because my relationship has always been through the other partner.
HMJr: Well, I'll talk -- if he's in I'll talk to him now.
O: Righto. I'll appreciate it.
HMJr: Thank you.
O: Thank you, Mr. Secretary.
HMJr: Well, you let me know just as soon as you know.
O: I will -- I will call you.
HMJr: And I'm looking forward....
O: Righto.
HMJr:to the interesting....
O: Well, I would like to do it.
HMJr: All right.
O: Righto.
HMJr: Thank you.
O: Thank you. Good bye.

April 15, 1944
11:49 a.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Sidney Weinberg: Hello.

HMJr: Mr. Weinberg?

W: Yes, sir.

HMJr: Henry Morgenthau, Jr.

W: Hello, Mr. Secretary. How are you, sir?

HMJr: Fine. How are you?

W: Very well, thank you, sir.

HMJr: Look, Mr. Weinberg, I don't know your partner, Harry Bowers.

W: Yes, sir.

HMJr: But we have been talking with Mr. Olrich, President of Munsingwear....

W: Yeah.

HMJr:to interest him in coming down here to take charge for us of this job of Disposal of Surplus Property in Treasury Procurement.

W: Yeah. You mean for Bill Clayton or for you?

HMJr: For me.

W: For you? Because I've been working on a man -- to get a man for Bill Clayton to be the liaison between you -- the Treasury-- and him.

HMJr: No, this would be....

W: This is an entirely different job?

HMJr: The job that we have in the Treasury is to handle consumer goods....

W: Yeah.

HMJr: ...that the Government is going to dispose of.

W: Yeah.

HMJr: And I've been looking for a man who would head that up in the Treasury, working with us here.

W: Right.

HMJr: And Olrich was recommended and we've checked him and we like him. He's been down here and he would like to take the job on.

W: Right.

HMJr: He's very keen about it. I had him meet Will Clayton yesterday and Will liked him very much.

W: Good.

HMJr: And would like to have us get him.

W: Well, that's wonderful.

HMJr: Now....

W: What's the rub in it?

HMJr: Well, the rub is that he has to get permission from his Board of Directors and I believe Mr. Bowers is one of his Directors.

W: Yes, he's one of his very important Directors and I -- you know how sympathetic I am because I was the fellow -- I could get all these men for the W.P.B.

HMJr: Yes.

W: And I will see that Harry Bowers will do this.

HMJr: Wonderful.

W: And I -- do you want me to telephone you?-- Harry isn't in today. He'll be in on Monday.

HMJr: Well, that will be time enough.

- 3 -

W: Will that be time enough?

HMJr: Yeah. Would you give me a ring?

W: I'll call you on Monday, definitely.

HMJr: And that will be fine. And you're trying to get somebody to be liaison between Will Clayton and us?

W: Yeah, you see, I'm -- I'm -- well, I'm still an advisor to W.P.B. and I'm -- also, to Will Clayton, to get him men, and I'm trying to get him three men. One who....

HMJr: Yeah.

W:will be liaison between his office and yours.

HMJr: Yes.

W: Not this thing that you're talking about -- and one is the liaison between the Food Administration and Will Clayton's office.

HMJr: Yes.

W: And one is liaison between O.P.A. and him.

HMJr: I see. Do you know Clrich?

W: Yes, certainly I know him.

HMJr: Do you think he'll do a good job on this?

W: Excellent. Excellent on consumer goods.

HMJr: That's right.

W: You'll -- Don -- you'll find that Don -- we know them all at Sears, you know.

HMJr: Pardon?

W: We once tried to hire him.

HMJr: From where?

W: Sears.

HMJr: You did?

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W: You know, I'm a director of Sears, and we tried to get him.

HMJr: I see.

W: And I happen to know from a competitive point of view, too, because he's -- I'm a director of Van Raaite, and we know him very well. He's a damn good man.

HMJr: Good.

W: But I'm surprised that he said he would like to do it.

HMJr: He told me....

W: Now, is he permitted to do it on a leave-of-absence basis?

HMJr: Yeah.

W: He is?

HMJr: From our standpoint, he is.

W: Well, that's all right. From our -- I think that Company ought to release him. Have you got a time limit on him?

HMJr: Well, it -- he's put the limit himself. He thinks he ought to agree to come for at least a year.

W: A year?

HMJr: Yeah.

W: Well, that will be fine. I would doubt whether they would be willing to give him a leave of absence for a year; although I would recommend it. I think that unless industrial companies help out at this particular crucial thing of disposal of inventory, they can't complain if it goes wrong.

HMJr: That's right. They can go wrong very, very easily.

W: Oh, yes, unless men who were trained in it, it'll -- will he work with Mack?

HMJr: Yes.

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W: He will?

HMJr: Well, what we're trying to do and most likely will do is to separate the disposal from the buying.

W: Yeah.

HMJr: And Mack will service him from the standpoint of -- oh, whatever he needs in the way of payroll....

W: Right.

HMJr:and that sort of thing.

W: Well, Mack is a damn good man. My experience down there with him has been 100%.

HMJr: Well, Mack will -- after all, Mack's got a nice little business of running ninety-five to a hundred million dollars a month....

W: Yeah, that's a nice business.

HMJr:in buying for lend-lease. And it's all he can handle. This we want to sort of set up separately to the extent that -- after all, it's a selling organization.

W: Yes.

HMJr: Am I right?

W: 100%.

HMJr: And -- but Mack will service him so that he won't have to be bothered with that, but he will -- he'll operate on his own.

W: Well, Mr. Secretary, I'll work on it and I'll call you the first thing Monday morning.

HMJr: And you think you can deliver Bowers?

W: Bowers? Yes, easy. Easy.

HMJr: Well, that's all I want.

W: Of course, I don't know -- there's somebody else on the Board other than he, but he's the Senior Director.

- 6 -

HMJr: He -- Olrich said that Bowers is very important.

W: That's right.

HMJr: And I asked what I could do and he said if I'd call him. I said, well, I didn't know him but I knew you and I would call you.

W: I'll get -- if I can get him over the week-end -- he lives up at Scarsdale -- I'll go to see him over the week-end.

HMJr: Wonderful.

W: So we can get it under way right away.

HMJr: Wonderful.

W: Okay.

HMJr: Thank you.

W: Thank you. I'll call you Monday.

HMJr: Thank you.

W: It's nice to talk to you, Mr. Secretary.

HMJr: Same here.

W: Okay.

April 15, 1944
11:55 a.m.

HMJr: Hello.

Operator: Here's Mr. Wallace. One moment, please.

Henry
Wallace: Oh, Henry.

HMJr: Good morning.

W: Henry, how much is there to these newspaper stories about the Russians being over here to get some lend-lease money for post-war? Is there anything to it?

HMJr: Well, I don't know all the details but the State Department has had a little deal on which they've been handling more or less on their own, but what they've been doing is....

W: What is it, Berle's work?

HMJr: I don't know. Harry White would know. He's got all the details. He'd be glad to drop in and tell you about it at your convenience.

W: I wish he would sometime.

HMJr: When would you like to have him come to see you? You name it and he'll come. I mean if you tell him.

W: Well....

HMJr: I know he has it. He's talked to us and we're disappointed because it's so small.

W: Oh, I see.

HMJr: I mean, they started it and we had some quite big things in mind.

W: I see.

HMJr: And this is a very small piece of business.

W: Oh, I see. Oh, well, would this afternoon at 2:30 be all right?

HMJr: Just a minute. He's here.

W: Or 2:00 o'clock?

HMJr: I'll ask him. Just a moment. (Aside: The Vice President. Two or two-thirty?) He said at 2:30 and where would you like to have him come?

W: Oh, my office in the Senate Office Building.

HMJr: Your office in the Senate Office Building. He'll be there.

W: Fine. Thanks, Henry.

HMJr: And I got a letter from somebody out in Iowa saying they were sending me some corn. I'm writing you.

W: Oh, all right.

HMJr: And you and Ilo will have to come and see it when it's growing.

W: All right. (Laughs)

HMJr: You've never seen our place. You'll have to come up.

W: No. I would like to see your place.

HMJr: Fine.

W: Good.

HMJr: Bye.

APR 15 1944

Dear Mr. Smith:

This will acknowledge receipt of your letter of April 6, 1944, requesting that Mr. John L. Sullivan, Assistant Secretary of the Treasury, be designated to represent this Department on the interagency committee on Standard Commodity Classification, which is being reorganized to develop further the system of reporting surplus property to the Surplus War Property Administration.

I am pleased to comply with your request and have designated Mr. Sullivan to serve as Treasury representative on this committee. Mr. Sullivan will replace Mr. Robert LeFevre, who was formerly a member of the committee.

Very truly yours,

(Signed) Henry Morgenthau, Jr.
Secretary of the Treasury.

Honorable Harold D. Smith,
Director, Bureau of the Budget,
Washington, D. C.

CSB:cm
4-14-44

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, D. C. 25

APR 6 1944

My dear Mr. Secretary:

Mr. W. L. Clayton, Administrator of the Surplus War Property Administration, has requested the assistance of this Bureau in developing further the Standard Commodity Classification for use in reporting surplus property to his Administration. To more effectively comply with this request it seems desirable to reorganize the interagency committee on Standard Commodity Classification which has hitherto guided the development of the classification system, to include personnel directly concerned with policy questions related to surplus property disposal. With this in view I wish to request that you designate Mr. John L. Sullivan, Assistant Secretary in Charge of Internal Revenue and Procurement, as your representative on the reorganized committee.

The Treasury Department has been represented in the earlier interagency committee by Mr. Robert LeFevre. In requesting the designation of Mr. Sullivan I wish to thank you for Mr. LeFevre's services. I shall of course accept your judgment as to whether Mr. LeFevre should continue to be associated with the committee as an additional representative of your department.

A copy of Mr. Clayton's letter is attached.

Sincerely yours,

Paul H. Appleby
Acting Director

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

Enclosure

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OFFICE OF WAR MOBILIZATION
SURPLUS WAR PROPERTY ADMINISTRATION

Office Administrator

511 Vermont Avenue NW.
Washington 25, D. C.

March 29, 1944

Mr. Harold D. Smith
Director, Bureau of the Budget
Washington, D. C.

My dear Mr. Smith:

In connection with the implementation of Executive Order No. 9425, there is, at the outset, a matter in which the Bureau of the Budget can be of great assistance to the Surplus War Property Administration.

A Government-wide system of standard nomenclature and classification for personal property in the possession of or under the control of Government agencies is essential to the program of the Surplus War Property Administration. It appears that the Standard Commodity Classification, published in May 1943 and in February 1944 provides the most acceptable basic structure of such a system. This Administration will, therefore, instruct all agencies to report all surplus personal property in accordance with the classifications therein established.

In taking this step, it is recognized that a further development of this system is desirable. It is therefore requested that the Bureau of the Budget enlist and, through the Interdepartmental Technical Committee on Commodity Classification, direct qualified personnel of all agencies in an expansion of the existing Standard Commodity Classification to such degree as deemed necessary for inventory and reporting purposes. In this expansion, first attention should be given to those major commodity groups which are likely to be most prominent in the war surplus disposal program.

Your cooperation in this undertaking will be greatly appreciated.

Sincerely yours,

(Signed) W. L. Clayton

W. L. Clayton
Administrator

April 15, 1944

My dear General Browning:

I want to thank you for your letter of April 14th, enclosing a copy of your speech at Minneapolis, which I found very interesting.

I also thought your report to General Patterson was very interesting.

I will look forward to receiving your comments on some of the names I gave you.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Brigadier General Albert J. Browning,
General Staff Corps,
Director, Purchases Division,
Headquarters, Army Service Forces,
Washington 25, D.C.



HEADQUARTERS, ARMY SERVICE FORCES

WASHINGTON 25, D. C.

April 14, 1944

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

Dear Mr. Secretary:

A thorough check is being made on the names you gave me yesterday and we have a number of additional names, some in the Army, some in the Navy, and some from civilian life, which we are investigating. We will give you a complete report in the next few days.

I thought you would be interested in the attached summary of War Department prices during the past two years, which was contained in a recent report to Judge Patterson.

Also attached is a copy of a talk I gave at Minneapolis in conjunction with your Third War Bond Drive. I thought you would be interested in the paragraphs which are marked.

Sincerely yours,

ALBERT J. BROWNING,
Brigadier General, General Staff Corps,
Director, Purchases Division.

Encls.

Price index Cy 22

Speech 11 Sep 43



ADDRESS BY

BRIGADIER GENERAL ALBERT J. BROWNING

DIRECTOR OF PURCHASES

WAR DEPARTMENT

ARMY SERVICE FORCES

MINNEAPOLIS

September 11, 1943

I feel that I am talking to fellow soldiers. Nothing has emerged more clearly from this war than the great truth that if we are to win our victory we shall gain it only by such cooperative effort as this.

The entire state of Minnesota is taking part in our meeting tonight, receiving the field orders by radio which will turn millions of dollars into War Bonds. Your mission and your duties are as clear as those of any soldier. If you should fail--if the people of Minnesota should not subscribe their full allotted share to this Third War Loan campaign--the defeat would be as great as any that our armies might suffer on the battlefield.

That's why I feel I am talking to fellow soldiers.

Your chairman has asked me to tell you something about the supplies and equipment which your money in War Bonds is buying. I can talk about that subject because I live with it--twenty-four hours a day. The Army Service Forces and the Army Air Forces are charged with the procurement of all the multitudinous items of equipment which our Army uses in battle and out of it.

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If an armored division needs fifty tank replacements--we get them. If a soldier needs a shoelace or a razor blade-- we get that, too. Guns, jeeps, ammunition, clothing, bedding, food-- all of them come from the Army Service Forces.

There are two major tasks in waging a war. One is the combat job. The other is concerned with procuring the equipment and supplies which make victory possible. The fighting forces win the actual combat. But any American soldier marching along an Italian highway tonight will tell you that he certainly couldn't remain there with safety, if our Army didn't keep supply moving in.

It takes a prodigious amount of supply to keep our Army pressing at the heels of the Axis. More than 3,000 boats took part in the Sicilian adventure, moving across the blue waters of the Mediterranean to the dawn attack on the beaches. This great armada carried 160,000 troops with 1,800 guns, 600 tanks and 14,000 other vehicles, together with the supplies and provisions necessary to keep this a force-in-motion.

The gasoline alone that had to be carried is an item to be reckoned with. It takes 18,000 gallons of gasoline to keep an armored division rolling for just one hour. And when a tank runs out of gas, there is no roadside station to pull up to. The gasoline for our Army's Sicilian expedition had to be ferried across from North Africa in five-gallon cans and carried or floated ashore on the beaches.

When you read that a thousand bombers have blasted Berlin, that means the use of almost 2,000,000 gallons of gasoline for that one mission. Think of that when you consider the question of gasoline.

The vehicles which serve one of our infantry division add

up to 400,000 horsepower, 125 times the 3,200 horsepower of its World War One counterpart. That's the kind of figure we deal with in this modern war.

Supply means ammunition trucks with shells for the big guns and bullets for the machine guns and rifles, so that our troops may never want for firepower in pressing home the attack. Supply means a reserve of weapons to replace those which are knocked out in battle. To the efficiency of the supply line, men owe their safety and their lives.

The number of lives that are lost in modern battle depends almost entirely on the relative quality and quantity of equipment possessed by each side. Let me pursue this thought a little, because it is something to remember when you are talking about War Bonds.

Where the opposing armies have nearly equal equipment, the losses are usually heavy on both sides. But where one side has superior quantity and quality, its losses of men are low, while those of the other side amount appallingly.

Because China did not have modern weapons in quantity comparable to the number possessed by the Japanese, China's losses in men have been staggering. When Germany attacked Russia two years ago the German armies were better equipped, and Russia was forced to sacrifice the millions of men before the German advance was stopped.

- 4 -

Our own Army has suffered astonishingly few casualties thus far considering the intense and bitter fighting of the engagements they have been in. This has been due to the shrewdness of our military leaders in planning their tactics so that the advantage in strength, wherever possible, is with our side. It is also due to the fact that our men have been furnished more and better equipment than the enemy had.

Constantly in this war we have been stepping up the firepower of our units by adding more and efficient weapons. This begins with the individual soldier. His weapon in the last war was the Springfield which fired five shots without reloading. In this war he has the Garand, which fires eight, merely by pressing the trigger. If the trigger is held down, the weapon becomes fully automatic.

I am told that the Japs found out the hard way about this bit of stepped-up firepower in the early days on Guadalcanal. They knew that the American soldier's rifle should have five shots, and that after these were fired, he would have to take time out to put in a fresh clip. The wily Jap snipers waited until the fifth shot had been fired and then boldly showed themselves in the expected pause to take better aim. I don't believe that many of them lived afterward to express their astonishment at what happened. The sixth shot took care of that, and the American soldier still had two more if that didn't do the trick.

In World War One -- when our striking power appeared by no means insignificant -- we had but a single piece of artillery for every 1,110 soldiers. In this war, our production has been sufficient to provide one piece of artillery for every 45 soldiers. Even though you have never

been near a battlefield under fire, you can guess what such increased striking power means to our Army—and to the enemy.

In the Tunisian campaign, it was the massed fire of our artillery which impressed the Germans most. Their men talked about it back in the prisoner-of-war camps when the fighting was over, and they said that they had never endured such punishment before. Some of them wanted to see our automatic artillery. The stuff had been exploding among them with such incessant rapidity that they couldn't believe we had that many guns massed against them. They thought we must have some brand-new secret weapon which fed the shells from belts like a machine gun.

Do you see why this superiority in weapons saves lives? Not only because it breaks down the enemy's will to resist, but also because he cannot fight back effectively under such terrible fire.

It is War Bonds that provide these weapons. It is your dollars, in the end, which save lives. It takes dollars to provide more and better planes, tanks, guns, battleships, radios, submarines, supplies, clothing and food. It takes more dollars than if we simply tried to match the enemy. But anything less means that our losses will increase appallingly. Anything less means that the end of the war will be agonizingly delayed. The lives of thousands are saved by War Bond dollars. I venture to say that our superb weapons, supplied in quantity, will save half a million American lives before this war is over.

We have had the most encouraging example of what superiority in arms and equipment will do in the past few days. It has driven one of our enemies out of the war. The capitulation of Italy, without a major invasion to defeat her armies in battle, was brought about directly

by the power which our armies have already developed. The Italians had felt it in Libya and Tunisia. They had felt it again in Sicily. They had seen it descend from the skies in thousands of precision-aimed bombs which destroyed their production by blasting their factories and threw their railroads into a confusion of twisted rails and shattered rolling stock.

The Italian soldiers had experienced this unquestioned superiority in weapons which our armies possessed, and the Italians knew that behind those weapons in the hands of the advancing Allied armies there was a continuous pipeline of supply which stretched back across the Atlantic in the convoys which the submarines had failed to stop. They knew, as Hitler is also learning, that the fury of our assault will increase--not diminish--as the weeks and months roll on. They knew that only disaster greater than surrender could result from continued resistance. And Italy fell.

That surrender was received with joy--and rightly so--in this country. But we shall be doing great harm to our cause if we believe that Italy's capitulation means that Germany will follow in short order. The mighty army which Hitler has built over a decade to crush freedom from the world is a powerful force. Italy fell about on the schedule which our leaders had worked out. That schedule does not show the surrender of Germany to be just around the corner. There are long campaigns and most bitter fighting ahead before the Swastika comes down.

But our momentum is moving us forward now. After all the months of preparation--when the problem of getting into production, of training men, of sending them overseas with enough original equipment to sustain them and the pipeline of supply to keep them going--at last

the strength of this great cooperative effort of America is being loosed in force against the enemy.

Now is the time when we must punch, and keep punching, so that our pressure on the foe is never relaxed for an instant. Arms and equipment in increasing amounts must flow overseas to keep the drive moving. Every dollar put into War Bonds now helps to keep that relentless bridge of ships moving arms and supplies to the points of contact overseas.

The American people, in the year and three-quarters since Pearl Harbor, have accomplished a miracle of production to equip this great Army of ours. I have seen that miracle unfold, have had a part in it, and I can assure you that the job has been one of great satisfaction.

You remember that in the last war there was a great deal of talk about profiteers. Have you noticed that you rarely hear such talk today? There is a quite simple reason for it. Profiteering is practically nonexistent. I have had an opportunity to watch closely the way in which the War Department spends its money for war materials and I can assure you that the job of equipping our Army has been done not only efficiently but economically.

In spite of the fact that war is always wasteful and that we were pressed—still are—to produce our supplies with the greatest speed, the dollars have been made to go as far as possible. Those officials in the War Department who are responsible for this operation have been extremely cost-conscious. We are very careful through precision pricing and renegotiation to see that no war contractor is allowed to retain exorbitant or excessive profits, and I am glad to say that our contractors have shown the greatest patriotism and cooperation in wholehearted devotion to their job. American industry has let nothing

stand in its way in producing the quantities of weapons needed to bring the war to a speedy conclusion.

We have been very fortunate in our leadership in this war. Our strategy has been brilliantly planned. It has been executed with equal brilliance on the field of battle. We have emerged from those dread early months after Pearl Harbor to stop the advance of our enemies across both oceans and we have begun the long, slow process of driving them out of their conquests.

But the job of supplying the enormous offensives which are still to come calls for the utmost effort from every American. It calls for increased--not decreased--industrial production. We are passing from the stage when the initial equipment of our troops is the major problem. Now we must also keep them supplied with all those battle expendables--ammunition, guns, equipment, yes, and food.

The job of feeding such an Army as ours is a man-sized job in itself. It is one in which we may take pride, too, that it is done as economically and with as little waste. Do you know how much it costs to feed a soldier in this country? Fifty-eight cents a day. Any housewife who could feed the members of her family with as good and abundant food as a soldier gets, will envy the economy with which the Army accomplishes its job. Overseas it costs a little more. But the Army feeds its men overseas on just under seventy-four cents a day.

I could go on reciting more of the economies of the Army, each one of which represents a saving in dollars so that more weapons--for the same money--can flow to our troops. Or I could tell you of some of the economies which have been performed in the use of critical materials,

so that enough of these precious metals will be available for the weapons our men must have. Some day these stories will be written and I can assure you that they will be read with interest. Together they form the epic of supply which this war has inspired. It is an epic which could not have been written at all without the contribution which millions of Americans have already made and must make again and again to the War Bonds which are the sinews of supply.

War Bonds provide, too, for the care which our men receive when they are wounded on the field of battle. Let me give you a figure on that. Of all our wounded, fewer than four percent have died. This is a phenomenally low percentage in modern warfare. There is a good reason for these losses being so low. It is because our troops are adequately supplied with the most modern medical equipment, drugs and with the best doctors.

Every true American would gladly substitute dollars for men's lives. Your dollars mean that more fine American boys will return to their homes alive when the war is over.

War is always a story of men in action. It is not too easy, back in the comfort of this nation which has been unravished by battle, to appreciate the suffering which our American boys endure so that this comfort may be maintained.

I have seen some of it and heard it from the lips of those who have been through it. I was in England a short time ago. I spent a week in one of our hospitals and I had a chance to talk to many of our men who were there because of action in the air over Germany and Occupied France. I wonder how many of you realize what these men go through on the bombing missions we read about in the newspapers.

Our Flying Fortresses go over Germany at nearly 30,000 feet altitude. Up there the temperature is between 45 and 60 degrees below zero. Picture in your mind a waist gunner standing at his open window with a 300-mile-an-hour gale blowing in his face and with the temperature at 60 degrees below zero.

But he is not just standing there. His hands are on the business end of a big .50 caliber machine gun which he fires at the swarms of enemy planes that nearly always attack our bombers. Ack-ack, machine gun bullets and cannon shells do not make his situation any more pleasant to endure. Day after day this man-- and hundreds like him-- are over Germany, assisting in the job of bringing the war to a speedy and satisfactory conclusion.

Some of them are wounded. In spite of the electrically heated clothing which they wear for protection, some come back with frozen hands and feet. No, it is not fun fighting in the air over Germany.

It was not fun in Tunisia or in Sicily and it is not fun today for the troops who are meeting Hitler's desperate men in Italy. It is not fun for the men who are closing in the last few miles on Lae and Salamaua in New Guinea, and I wish there were some way in which the story of what they are actually sacrificing for us could be told so vividly that for a few brief moments every American at home could be transported to the steaming foxholes of our far-flung battle lines.

I caught a flash of this reality in a letter which was written by a soldier out on one of the South Pacific Islands where our troops are battling the Japs. Let me read you a part of his letter.

"Here there are no stores, no movies, no U.S.O., no stage-door canteen, no nothing. The amusement angle is nil. We are

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too busy working and trying to stay alive. Still the only complaint I have heard is about the people back home. Here the men live weeks at a time in mud or dust, clutching their rifles for their lives. No baths, no shaves, no clean clothes, clothes wet at night and scorching hot by day. Noise, mud and blood, screams of agony, nerves shot to hell from fatigue and strain. What's wrong at home? Is everyone too busy stealing a little extra coffee or gas~~g~~-too interested in their own personal comfort?

"Maybe I've over-emphasized, but I have seen lads from 18 years old get blown up, men with legs gone, with hands blown off, pain and misery in their bodies. Still no complaint. They are not sorry they did their bit and more besides, and are only sorry they are out of it. So help me God, I wish everyone back home could see the ones who are really in this war.

"Don't spend your money on amusements for soldiers. Save their lives with guns and planes--that's what we want out here, and a little note once in a while of love and praise. It means so much and costs so damn little." The letter is signed "Dick."

It is for boys like Dick that you are buying war bonds today. You are buying them to keep the gun in his hands and the clips filled with bullets. You are buying them to put machine guns beside him, and cannon in the hills behind and planes over his head. You are buying them to give him food and the medicines he needs if he is wounded. You are buying them so that he can go back into the line again and help carry on the war with mounting fury until our enemies are crushed beneath the weight of the assault.

That is the message which must be spread to the men and women

-12-

of Minnesota when you talk to them about War Bonds. Their dollars will keep the guns moving up—toward Berlin, toward Tokyo, toward Victory. Their dollars must go to war—and stay there—until this war is won.

XXX

THE SECRETARY OF THE TREASURY
WASHINGTON

APR 15 1944

TREASURY DEPARTMENT ORDER NO. 52.

Foreign Funds Control will continue to operate under the supervision of Mr. Orvis A. Schmidt as Acting Director. Mr. Schmidt will report to the General Counsel.

Matters requiring approval of the Secretary will be referred to the Under Secretary or the Assistant Secretaries for appropriate action.

H. M. Nathan Jr.
Secretary of the Treasury.



APR 15 1944

My dear Mr. President:

This is in reply to your letter of April 7, 1944, informing me of the establishment in the Foreign Economic Administration of a clearing house for coordinating the reports of all agencies on transactions relating to foreign areas.

I believe the establishment of such a clearing house to be needed and of course the Treasury Department will cooperate fully.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The President,

The White House.

HDW:rl 4/15/44

THE WHITE HOUSE
WASHINGTON

APR 7 1944

My dear Mr. Secretary:

I have today directed the Administrator of the Foreign Economic Administration to establish in his agency in collaboration with other agencies concerned, a clearing house for coordinating the reports of all agencies on transactions related to foreign areas. As you know, establishment of this clearing house has been urged by the Interdepartmental Committee to Study Recording and Reporting of Lend-Lease Transactions and Government Expenditures Abroad on which the Department of the Treasury was represented.

You will note in my letter to Mr. Crowley, a copy of which is enclosed, that the establishment of the clearing house does not involve any transfer of the responsibilities of other agencies to the Foreign Economic Administration. It is a joint venture in which I am sure you will cooperate fully.

Sincerely yours,



Honorable Henry Morgenthau, Jr.

Secretary of the Treasury

Enclosure

My dear Mr. Crowley:

APR 7 1944.

In line with recommendations of the Interdepartmental Committee to Study Recording and Reporting of Lend-Lease Transactions and Government Expenditures Abroad, it is essential that we proceed promptly to the establishment of a "clearing house" for such reporting.

I want you to establish, in collaboration with the other agencies involved, such a clearing house in the Foreign Economic Administration under a director appointed by you. It would seem advisable to establish an advisory interdepartmental committee to assist the director, which committee might among others include representatives of the Department of State, Department of the Treasury, War Department, Department of the Navy, Department of Commerce, the Bureau of the Budget and the Office of the Coordinator of Inter-American Affairs.

The functions of the clearing house would include the following:

- (1) to develop, in cooperation with the other agencies concerned, such forms and procedures as will assure the necessary information on our transactions relative to foreign areas,
- (2) where more than one agency is involved, to collaborate with the agencies of whom information is requested in furnishing such information within, of course, the limits of security requirements.

Information to be covered by this arrangement should include, particularly, transactions on account of international aid, relief in liberated areas, procurement abroad, loans and financial aid, and all other Government outlays and expenditures abroad and receipts from abroad, and also inventory information concerning military and non-military installations, improvements, and stockpiles abroad.

The clearing house should serve as a medium for interagency collaboration. Its establishment does not involve any transfer of the responsibilities of other agencies to the Foreign Economic Administration. It does not, for example, modify agency powers and duties under the Federal Reports Act or Executive Order 8512 as amended. The facilities established by Executive Order 8512 should be utilized whenever appropriate in collecting information on cash disbursements, receipts and other related financial transactions abroad.

I am convinced that this arrangement can be of great value in the development of the comprehensive and consistent reports on foreign transactions so essential to the planning and operations of our Government in the future.

Sincerely yours,

FRANKLIN D. ROOSEVELT

Honorable Lee T. Crowley,
Administrator,
Foreign Economic Administration

APR 15 1944

My dear Mr. Dewey:

Thank you for your letter of April 7, 1944,
informing me of the forthcoming hearings on H.J.R.
226 of which you are the author and which is assigned
to the Committee on Foreign Affairs. Your thought-
fulness in keeping me informed is appreciated.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Charles S. Dewey,
House of Representatives.

EMB:lr 4/13/44

24
COMMITTEE
WAYS AND MEANS

Congress of the United States
House of Representatives
Washington, D. C.

April 7, 1944

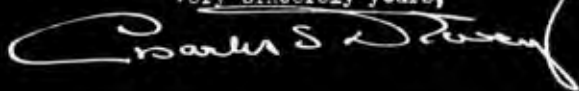
My dear Mr. Secretary:

I enclose herewith copy of House Joint Resolution 226 of which I am the author and which was assigned to the Foreign Affairs Committee.

Chairman Bloom has informed me that hearings will start on this legislation Tuesday, April 25, and it has occurred to me that you may wish to have a representative of your Department express the Treasury's opinion, in which case you will probably wish to ask Chairman Bloom for time.

With all best wishes, I am

Very sincerely yours,



The Honorable

Henry Morgenthau

Secretary of the Treasury

78TH CONGRESS
2D SESSION

H. J. RES. 226

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 1, 1944

Mr. DEWEY introduced the following joint resolution; which was referred to the Committee on Foreign Affairs

JOINT RESOLUTION

To provide for a central reconstruction fund to be used in joint account with foreign governments for rehabilitation, stabilization of currencies, and reconstruction, and for other purposes.

1 *Resolved by the Senate and House of Representatives*
2 *of the United States of America in Congress assembled,*

3 NECESSITY FOR LEGISLATION

4 SECTION 1. Because of the need for coordinated and
5 efficient participation by the United States in activities among
6 the United Nations and the nations associated with them
7 in the present war, with respect to rehabilitation, currency
8 stabilization, and the extension of long-term credits for
9 reconstruction purposes, the enactment of this joint resolution
10 is necessary.

★

DEFINITIONS

SEC. 2. As used in this joint resolution—

(1) The term "fund" means the central reconstruction fund provided for in this joint resolution.

(2) The term "Board" means the Board of Governors of the fund.

(3) The term "executive committee" means the executive committee of the fund.

CENTRAL RECONSTRUCTION FUND

SEC. 3. There is hereby established a central reconstruction fund which shall be administered as provided in this joint resolution. There shall be in the fund two accounts as follows:

(1) A revolving fund account to which it is hereby authorized to be appropriated not in excess of \$500,000,000.

(2) An administration account, which shall consist of amounts hereafter appropriated for administrative expenses incident to carrying out the provisions of this joint resolution.

PARTICIPATION IN JOINT ACCOUNT UNDERTAKING

SEC. 4. (a) Despite the provisions of any other law, the Board of Governors of the fund, established by section 6 of this joint resolution, through its Chairman, may use the amounts in the revolving-fund account to participate, (1) in joint account, to the extent of not more than 50 per centum of the total cost in the case of any one risk, with any other

government or governments (or with any duly authorized agent or agents thereof) and/or (2) to the limit of 50 per centum in any one risk in any one nation, with any individuals or corporations within the limits of their charters, said operations being affected despite the provisions of any other law, in providing aid through the purchase, assignment, or resale, of notes, bonds, or equity shares, for the purpose of promoting the economic welfare of any nation through (i) extensions of short-term and intermediate funds for financing seasonal operations, (ii) to provide for longer term wealth developing activities, provided that all such extensions of credits be made in consideration of balanced budgets and currencies fixed in value in relation to the United States dollar of the present weight and fineness.

(b) Such action shall be taken by the Board upon such terms and for such period or periods as may be agreed upon, but only if the general purpose is for sound economic objectives, and only if the government receiving the credit or the government of the recipient of the credit will authorize the supervision of the use of the credit by a representative of the American creditors approved by the Board.

(c) The Board is authorized and empowered to assign, sell, or terminate its participation in any undertaking, in whole or in part, upon such terms as the Board may

1 deem to be to the best interests of the United States and
2 otherwise equitable.

3 BOARD OF GOVERNORS

4 SEC. 6. (a) There shall be a Board of Governors of
5 the fund, to be composed as follows:

6 (1) One member, who shall be Chairman of the Board,
7 to be appointed by the President by and with the advice
8 and consent of the Senate.

9 (2) Two officers or employees of the State Department,
10 to be appointed by the Secretary of State.

11 (3) Two officers or employees of the Treasury Depart-
12 ment, to be appointed by the Secretary of the Treasury.

13 (4) Two directors of the Reconstruction Finance Corpo-
14 ration (one from each of the two major political parties)
15 to be appointed by the Chairman of the Board of Directors
16 of the Reconstruction Finance Corporation.

17 (5) Two Members of the United States Senate (one
18 from each of the two major political parties) to be appointed
19 by the President of the United States from a panel of six
20 Senators chosen by the President of the Senate.

21 (6) Two Members of the House of Representatives
22 (one from each of the two major political parties) to be
23 appointed by the President of the United States from a panel
24 of six Members of the House of Representatives chosen by
25 the Speaker.

1 (7) Two members of the Board of Governors of the
2 Federal Reserve System (one from each of the two major
3 political parties) who shall be appointed by the Chairman of
4 such Board of Governors.

5 (b) The initial term of office of one member of each
6 group specified in paragraphs (2) to (7), inclusive, of
7 the foregoing subsection shall be four years, and the initial
8 term of office of the other member in each such group shall
9 be two years; and thereafter each such member shall be ap-
10 pointed for a term of four years. The term of office of
11 the Chairman of the Board shall be four years.

12 (c) There shall also be a First Vice Chairman and a
13 Second Vice Chairman of the Board, to be appointed by
14 the President, by and with the advice and consent of the
15 Senate, for a term of four years.

16 (d) The Chairman of the Board of Governors shall
17 be paid a salary at a rate equal to that of Cabinet officers,
18 and the two Vice Chairmen shall each receive a salary
19 at a rate equal to that of an Under Secretary of an executive
20 department. The other members of the Board shall not
21 receive any salary for their services as members of the
22 Board of Governors, but shall be reimbursed for travel,
23 and subsistence expenses incurred in the performance of
24 their duties as members of the Board.

1 (e) The President may remove from office the Chair-
 2 man of the Board, or either of the Vice Chairmen thereof,
 3 for any cause deemed sufficient by him.

4 (f) The First Vice Chairman of the Board shall serve
 5 on the Board as Chairman thereof in the absence of the
 6 Chairman and the Second Vice Chairman of the Board shall
 7 serve on the Board as Chairman thereof in the absence of
 8 both the Chairman and the First Vice Chairman, but neither
 9 of such Vice Chairman shall serve as members of the Board
 10 under any other circumstances. Such Vice Chairmen shall,
 11 however, perform such other duties in connection with the
 12 activities of the fund as may be directed by the Board.

13 (g) The Chairman of the Board shall also act as the
 14 principal executive officer of the fund. In his absence the
 15 First Vice Chairman shall act as the principal executive
 16 officer of the fund, and in the absence of both the Chairman
 17 and the First Vice Chairman the Second Vice Chairman
 18 shall act as the principal executive officer of the fund.

19 (h) A vacancy in the office of any member of the
 20 Board or other officer referred to in this section shall be
 21 filled in the same manner as the original appointment, and
 22 the person appointed to fill the vacancy shall be appointed
 23 for the unexpired term of his predecessor.

24 (i) The Board shall meet on the fourth Tuesday of

1 each month in the offices of the fund, at 9:30 antemeridian,
 2 and may hold special meetings at other times on call of the
 3 Chairman. A quorum of the Board, for the transaction of
 4 business, shall consist of eight members. In the transaction
 5 of business action may be taken by a simple majority of
 6 the Board, but only if at least two of the members present
 7 are Members of Congress. Neither the Chairman of the
 8 Board nor the Vice Chairman thereof shall be entitled to
 9 vote in the proceedings of the Board except in the case of
 10 a tie vote, or be counted for the purpose of determining
 11 whether a quorum of the Board is present.

12 EXECUTIVE COMMITTEE

13 SEC. 7. (a) There shall be an executive committee of
 14 the fund, which shall consist of—

15 (1) the Chairman of the Board, who shall be
 16 chairman of the executive committee;

17 (2) one member of each of the groups specified
 18 in paragraphs (2) to (7), inclusive, of section 6 (a),
 19 such members to serve on the executive committee for
 20 terms of six months;

21 (3) the senior executive officer of each of the
 22 main divisions of the organization of the fund.

23 (b) In the absence of the Chairman, the First Vice
 24 Chairman of the Board shall act as chairman of the executive

1 committee, and in the absence of both the Chairman and the
2 First Vice Chairman the Second Vice Chairman shall act as
3 chairman of the executive committee. Such Vice Chairmen
4 shall not serve on the executive committee under any other
5 circumstances.

6 (c) The executive committee shall meet on the first
7 three Tuesdays of each month in the offices of the Fund at
8 9:30 antemeridian. A quorum of the executive committee
9 for the transaction of business shall consist of half of its mem-
10 bership, but only if at least one Member of Congress is
11 present. In the transaction of its business, the executive
12 committee may act by a simple majority. The chairman of
13 the executive committee shall have the power to vote on
14 all matters.

15 (d) The chairman of the executive committee is au-
16 thorized to appoint subcommittees thereof to study, with
17 representatives of other governments, projects with respect
18 to which joint account undertakings are proposed, and for
19 the preparation of reports with respect to such projects.

20 AUTHORITY TO BORROW FOR REVOLVING FUND ACCOUNT

21 SEC. 8. The Board is authorized to borrow from the Re-
22 construction Finance Corporation on acceptable security for
23 emergency purposes for the revolving-fund account, such
24 outstanding indebtedness shall not at any one time exceed
25 \$50,000,000.

1 COOPERATION OF OTHER AGENCIES OF GOVERNMENT

2 SEC. 9. All departments and agencies of the Federal
3 Government shall cooperate with the fund in making avail-
4 able to the fund, and to the officers and employees thereof,
5 such statistical, economic, and other information possessed by
6 such departments and agencies as may be useful for purposes
7 of carrying on the activities of the fund.

8 PERSONNEL

9 SEC. 10. (a) Except as provided in subsection (b), the
10 executive committee shall appoint all employees necessary
11 for the carrying on of the activities of the fund. With such
12 exceptions as the President may authorize all officers and
13 employees shall be appointed and compensated in accordance
14 with the civil-service and classification laws.

15 (b) The Board may appoint persons whose services
16 may be required to investigate, or to supervise the perform-
17 ance of, any undertaking of the fund. Such persons shall be
18 responsible to the Board, and shall make such reports as may
19 be required. Such persons shall be appointed from a list of
20 nominations made to the Board by the chairman of the execu-
21 tive committee. The head of each such undertaking and not
22 to exceed two assistants may be appointed and compensated
23 without regard to the civil-service and classification laws.

1 ACCOUNTING DEPARTMENT AND OTHER DEPARTMENTS AND
2 DIVISIONS

3 SEC. 11. (a) The Board shall maintain an Accounting
4 Department of the fund, which shall at all times maintain
5 complete and accurate books of account with respect to all
6 the operations of the fund. All decisions and acts of the
7 Accounting Department, when approved by the Board, shall
8 be final and conclusive and shall not be subject to review
9 by any other department, agency, or officer of the Govern-
10 ment.

11 (b) The Accounting Department shall publish semi-
12 annual reports of all operations of the fund, and such reports
13 shall be sent to the President, the President of the Senate,
14 the Speaker of the House of Representatives, the head of
15 each executive department and each Member of Congress.

16 (c) The Accounting Department shall have a Historical
17 Division, which shall keep such records as may be neces-
18 sary for the making, by the Accounting Department, of the
19 reports above referred to, including a complete record of all
20 the undertakings of the fund, both those accepted and those
21 rejected. The Historical Division shall also prepare a record
22 of, and make available to the public, information as to such
23 economic and financial items as may be of assistance to
24 private capital, industry, and agriculture in the United States.

25 (d) The Board shall establish such other departments

1 and divisions of the fund as it may deem necessary and shall
2 assign duties and functions to each department and division
3 so established.

4 APPROPRIATIONS; BUDGET ESTIMATES

5 SEC. 12. There are hereby authorized to be appro-
6 priated, out of any money in the Treasury not otherwise
7 appropriated, to each of the accounts in the fund specified in
8 section 3, such amounts as may be necessary. The Board
9 of Governors shall annually prepare for submission to the
10 Congress a budget estimate of the amounts required for the
11 purposes for which such accounts are to be used.

EMBASSY OF THE
UNITED STATES OF AMERICA

Chungking, April 15, 1944.

No. 2436

Subject: Protection of Victims of Enemy
Oppression.

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

Sir:

I have the honor to refer to the Embassy's despatch no. 2345 of March 22, 1944 in regard to relief measures for victims of enemy oppression and to the Department's circular airgram of February 29, 1944, 7:30 p.m. on the same subject, and to report that I discussed this matter with the Foreign Minister on April 4, 1944. Dr. Soong stated that the question was, of course, more or less academic so far as China was concerned, but promised a statement of policy from his Government.

Under date of April 7, 1944 the Foreign Minister addressed a formal note to the Embassy (translation enclosed) stating that the intent of the War Refugee Board meets with the complete support of and evokes the respect of the Chinese Government; that the Jews and minority peoples of Europe who have been rendered homeless and wandered to China will be extended full protection by the Chinese Government; and that the Chinese Government is particularly gratified with President Roosevelt's mention of the rescue and relief of other victims of enemy persecution, which would include victims of Japanese oppression.

The Embassy feels that the record of the Chinese on this matter is good. Before the Japanese occupation there were many Jewish refugees who came to China and while for the most part they congregated in the foreign

settlements

- 2 -

settlements and were not directly under Chinese jurisdiction, they were not maltreated by the Chinese; nor does the Embassy recall any Chinese objection when the large shiploads of such refugees arrived at Shanghai from Germany via Italy and were landed in the International Settlement. It was the only part of the world to which they could go. While the Chinese might have objected to such wholesale landings in China, they did not do so; however, World Jewry made financial provision for these people and consequently they were not a charge on the Chinese.

Respectfully yours,

/s/ C. E. Gauss

C. E. Gauss

Enclosure:

1. Translation of note from Ministry of Foreign Affairs dated April 7, 1944.

In single copy to the Department.

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HP/CEG/kky

Enclosure no. 1 to despatch no. 2436 of April 15, 1944
from the American Embassy, Chungking.

(Translation)

Formal note

From: Dr. T. V. Soong, Minister for Foreign Affairs
To: H. E. C. E. Gauss, American Ambassador, Chungking

Dated: April 7, 1944

Received: April 11, 1944

Translated: FJCL - April 12, 1944

Checked: FF - April 12, 1944

Excellency:

I have the honor to refer to Your Excellency's note of March 6, 1944 stating that it has been decided to create a War Refugee Board for the rescue and relief of the Jews of Europe and other victims of enemy persecution and requesting that you be informed as to the attitude of the Chinese Government on this matter.

The intent of such an organization meets with the complete support and evokes the respect of the Chinese Government. The Jews who have been oppressed by Nazi Germany and the minority peoples of Europe who have been rendered homeless and have wandered to China will, of course, be extended full protection and relief by the Chinese Government.

The Chinese Government is particularly gratified to note that mention has also been made by the President of the United States in the Executive Order of the rescue and relief of other victims of enemy persecution, among whom the people oppressed by the Japanese in the Far East would of course be included.

I have the honor to indite this reply with the request that Your Excellency take note in the premises and that the contents thereof be transmitted to Your Excellency's Government.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration.

(Stamped) T. V. SOONG
(Sealed) MINISTRY OF FOREIGN AFFAIRS

AIR MAIL

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OFFICE OF THE PERSONAL REPRESENTATIVE
OF THE PRESIDENT OF THE UNITED STATES

No. 426

New Delhi, India
April 10, 1944

Subject: Declaration of Policy by the Government of
India Similar to That Made by the President
of the United States Regarding the Rescue
and Relief of European Refugees

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

Sir:

I have the honor to refer to the Department's
Circular Airgram of February 29, 1944 and to my
despatch No. 404 of March 30, 1944 on the subject
"Accommodation in India of War Refugees and Policy
of the Government of India Toward Further Immigrations
of Such Refugees".

While the Mission sees no objection to addressing
the Government of India again, in the sense of para-
graphs three and four of the circular airgram under
reference, it believes that it should not suggest to
the Government of India the issuance by that Government
of a declaration of policy similar to that made by the
President of the United States without asking the
Department whether such a suggestion would be timely in
view of the statement of policy contained in the
Government of India's letter to the Mission dated
March 28, 1944, a copy of which was transmitted with my
despatch No. 404 above mentioned. It will be recalled
that the Government of India stated in that letter that
India's refugee problem is probably greater than that of
any other allied or neutral country and that, in the
light of the present food and accommodation problems and
the general economic situation in India, it does not
feel that it is in a position to accept more refugees
from elsewhere.

It occurs to the Mission, however, that a communication
might be addressed to the Government of India referring to
the statement in its letter of March 28 that "there is the
possibility of a further liability for 8,000 additional
Poles," and inquiring whether, in case the liability for
8,000 Poles does not materialize, the Government of India
would be prepared to accommodate a similar number of other
European refugees.

Respectfully yours,

7..5
JPS/r*

George R. Merrell
Secretary in Charge

ORIGINAL TEXT OF TELEGRAM SENT

FROM: SECRETARY OF STATE, Washington
 TO: AMEMBASSY, London
 DATED: April 15, 1944
 NUMBER: 3006

CONFIDENTIAL

FROM WAR REFUGEE BOARD TO AMBASSADOR WINANT, LONDON.

Please refer to our no. 2516 of March 31.

Ambassador Steinhardt has just advised that there are a number of refugees who can be evacuated from Rumania in addition to those who can be carried in the one Turkish vessel for which charter negotiations are still continuing. Within the last few weeks approximately 500 refugees have been brought to Turkey on small Bulgarian boats. It is therefore extremely urgent that additional shipping be obtained without delay.

During the course of negotiations for a Turkish boat Ambassador Steinhardt suggested that we undertake to obtain from the Swedish Government permission to divert one or more of the ships carrying relief supplies to Greece for use in evacuation operations from Constanza to Turkey. Ambassador Steinhardt felt that this procedure was desirable in view of the delay in obtaining a Turkish ship and in view of the fact that the Greek relief ships of which there are twelve or thirteen in service were the closest to Turkey and could most easily be sent to Constanza. A request along these lines was addressed to the Swedish Government through the Ambassador here. In reply the Swedish Government indicated that certain obstacles such as obtaining the consent of the German, British and Canadian Governments would have to be overcome before a Greek relief ship could be used for evacuation of refugees. The Swedish Government indicated however that if these conditions and certain others could be met one ship, the SS RANDALANDRA, arriving in Salonika about March 15, might be used.

The British Government apparently did not desire to have any Greek relief ships diverted for refugee evacuation. It is understood that the British Legation in Stockholm felt that any extraneous delay in the shipping schedule for Greek relief would have serious and deleterious effects. Moreover, the Board has been advised by the Washington representative of the Ministry of Economic Warfare that even a small loss of tonnage in the Greek relief schedule might leave a serious gap in deliveries. The Ministry of Economic Warfare suggested that it may be possible to reopen the question when four ships which are to be added to the Greek relief fleet have actually left the Baltic. The Ministry added however that even so it would be difficult to use a relief ship for this purpose and expressed the hope that ships can be obtained for this purpose in other quarters.

We have.....

- 2 -

We have now received from Ambassador Steinhardt the following cable with respect to the necessity of obtaining one of the Greek relief ships for evacuation purposes:

QUOTE: Baron de Platen, Second Secretary of the Swedish Legation in Ankara, still offers hopes for the availability a Swedish vessel to transport refugees from Constanza to Haifa. This would be in addition to the TARI or any others, the SS BARDALANDA NOW in Istanbul is not fitted with equipment or life saving devices for refugee conveyance. Platen will explore the possibilities of reequipping the vessel for this purpose. The BARDALANDA is scheduled to sail today to arrive in Piraeus (Athens) on April 25 and scheduled thereafter to sail for Constanza. Platen believes that Stockholm could be induced to have this vessel return to Istanbul and thence to Constanza to embark refugees to Haifa. I have not been informed except indirectly through the State Department radio bulletin regarding the reply of the Swedish Government to our request through the Swedish Minister here and your request through Washington for a Swedish boat. In spite of any refusal by the Swedish Government I recommend that the Board urge Stockholm to give instructions to make the BARDALANDA available the latter part of April. This of course is not in lieu of the proposed trip of the SS TARI but in addition thereto. UNQUOTE.

In view of the urgency of the situation the Board would appreciate it if you would immediately discuss this matter with appropriate officials of the British Government with a view to obtaining that Government's consent to the use of the SS BARDALANDA for the purpose indicated in Ambassador Steinhardt's cable. As soon as such approval is obtained you should also discuss the matter with the Swedish Ambassador in London asking to communicate to his Government this Government's request for the use of the BARDALANDA, and asking them to approach the German Government to obtain the necessary safeconduct. In your discussions with the British you may wish to make clear that time is of the essence and that the rescue of additional refugees in imminent danger of death depends upon this boat being made available to the War Refugee Board.

The BARDALANDA may be leaving the Greek service, we are advised.

HULL

Treasury Department
Division of Monetary Research

257

○ Date....April 18.....19

To: Mrs. Klotz

From: Mr. White

This refers to the Secretary's message to the Chancellor in which a reply was requested by Monday.

The reply was received both through the State Department and through the British Treasury people.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: The American Ambassador, London
TO: The Secretary of State, Washington
DATE: April 15, 1944
NO.: 3074

SECRET

The following message is from the Ambassador for Secretary Morgenthau.

Your number 2937 dated April 13 is greatly appreciated. Tomorrow evening I will forward an answer which you should receive early Monday morning, April 17th.

WINANT

DCR:MPL
4/15/44

EF: COPY
4-17-44

COPY

259

BJR - 103

PLAIN

London

Dated April 15, 1944

Rec'd 11:30 a.m.

Secretary of State,
Washington.

3081, Fifteenth

CONFIDENTIAL FROM KULLMANN FOR EMERSON CARE
WAR REFUGEE BOARD.

"Swiss Government regrets to inform us that despite repeated interventions with Vichy Government negative reply was received regarding exit facilities for children threatened with deportation. Bern makes formal request that no publicity whatsoever be given here or in United States concerning intervention itself or Vichy refusal. It is emphasized that discretion is more than ever essential if Swiss Government are to pursue effort on our behalf".

WINANT

REP

MJB

April 15, 1944
7 p.m.CIRCULAR

CONFIDENTIAL CIRCULAR AIRGRAM

FOR THE PERSONAL AND CONFIDENTIAL INFORMATION OF THE AMBASSADORS AT PANAMA, HABANA, CIUDAD TRUJILLO, BOGOTA, LIMA, SANTIAGO, MONTEVIDEO AND MEXICO, D.F.

With further reference to the Department's circular airgram of January 26, 7 p.m., and to subsequent communications on refugee matters, you are informed that the Department has now authorized the American consular officers in Switzerland to issue up to four thousand quota immigration visas to refugee children up to sixteen years of age without regard to religion, nationality or stateless status, to close relatives residing in enemy, enemy-controlled or occupied territory, or to the availability of means of transportation to the United States. The purpose of this authorization is to facilitate the escape to Switzerland of orphaned or abandoned children by giving assurances to the Swiss Government that these children will not remain in Switzerland after the termination of hostilities in Europe. The authorization contains provisions for the continued renewal of the visas until such time as adequate transportation facilities to the United States become available. Private sources have posted bond with the Attorney General of the United States to assure this Government that the immigrating children will not become public charges.

If there are private agencies in the country to which you are accredited willing and able to undertake a program for the care of refugee children, the War Refugee Board is confident that it can make arrangements to provide those agencies with adequate funds for the maintenance, education and welfare of as many children as the Government of that country would be willing to admit. Should it prove necessary, funds would undoubtedly be available to meet transportation expenses from Switzerland to that country.

Kindly approach appropriate officials of the Government to which you are accredited, inform them of the foregoing and request them to give assurance to the Swiss Government through their diplomatic mission in Bern that they will accept up to a fixed number of refugee children in a manner similar to that of this Government. For the information of the Government to which you are accredited, it is conservatively estimated that there are in France alone eight to ten thousand abandoned or orphaned refugee children. Should that Government be willing to make this humanitarian offer, please request the Ministry of Foreign Affairs to authorize its chief of mission in Bern to issue the appropriate number of immigration visas and to maintain their validity until
suitable

-2- CIRCULAR, April 15, 7 p.m.

suitable transportation facilities from Switzerland to its country become available. The Government may be informed that the special representative of the War Refugee Board attached to the American Legation in Bern will be glad to cooperate with the diplomatic and consular officers of the other American Republics in this as well as in all other refugee matters.

Please report by telegraph whether this suggestion has been favorably received by the Government to which you are accredited and, if so, the number of children it is prepared to admit.

HULL

TELEGRAM SENT

FMH

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

April 15, 1944

8 p.m.

AMLEGATION,

LISBON

1048

FOR THE MINISTER AND DEXTER FROM WAR REFUGEE BOARD.

WEB no. 2.

Please discuss with Weisman of World Jewish Congress
his proposal to request Portuguese Government for creation
of a reception center for children coming from France.
Report full details to Board, giving reasons for proposal
and your reactions.

HULL
(GLW)

HULL

WEB:GLW:KG
4/15/44

S/CR

WE
Cleared over phone
with Mr. Morgan

GAR-160

PLAIN

Lisbon

Dated April 15, 1944

Received 2:48 p.m.

Secretary of State
Washington

1123, 15th

Joseph Schwartz requests that following telegram be transmitted through War Refugee Board to Leavitt Joint Distributing Committee, New York.

"International Red Cross Lisbon advises possible send food packages in large quantities from Azores provided authorization blockade authorities received. Package consisting 500 gram each of UNNY in oil, mackerel in oil and cream of sweet potato and 40 cigarettes cost 57 escudos which is much cheaper than prices prevailing Lisbon. Packages could be made up either Azores to be sent directly various camps or sent in bulk to Lisbon to be packed here in individual parcels. If permission available International Red Cross would be ready handle entire operation for United States."

NORWELB

RB

April 15, 1944

M E M O R A N D U M

Re: Difficulties Encountered by the War Refugee Board in Spain

Since the date of its establishment in January, the War Refugee Board has been successful in obtaining the cooperation of the American Embassies and Legations in London, Stockholm, Bern, Lisbon and Ankara and to the extent necessary throughout Latin America. One place remains in which the Board has been able to make absolutely no progress - Madrid. Unfortunately, the failure to obtain cooperation in Spain is of crucial importance in view of the fact that under existing circumstances that country is practically the only remaining outlet for refugees from enemy territory.

Failure of the Embassy in Madrid to cooperate with the War Refugee Board is exemplified in part as follows:

1. Not only has Ambassador Hayes refused to ask the Spanish Government to cooperate in implementing the President's policy with respect to refugees; he has even refused to explain the President's policy on the subject to that Government although requested to do so by the Board and the State Department.

2. Ambassador Hayes has consistently refused to present to the Spanish Government for its consideration a plan for increasing the flow of refugees through Spain. This plan was carefully devised by the War Refugee Board to relieve the Spanish Government of all responsibility and burdens, the Board guaranteeing the maintenance and rapid evacuation of the refugees.

3. Ambassador Hayes has consistently refused to allow the appointment of a full time representative of the Board in Spain. This attitude of the Ambassador has not been based on the personalities involved, but upon his repeated assertion that the Board really does not need full time representation in Spain.

4. Ambassador Hayes has refused to transmit to an American relief organization in Spain a license to carry on relief and evacuation activities issued by the Treasury Department at the request of the Board and with the approval of the State Department. This license is exactly the same as licenses which have been granted to private organizations in Switzerland and under which, with the cooperation of the American Legation, the evacuation of refugees from enemy territory is being facilitated.

The actual basis of Ambassador Hayes' position in the matter is not clearly understood. The various reasons advanced by the Ambassador seem to add up to nothing more than an opinion that the refugee issue is one which should be completely buried. In other words, Mr. Hayes seems to feel that since the flow of refugees across the border has practically stopped and

- 2 -

since the few remaining refugees in Spain are in the process of being removed to a camp in North Africa, the whole matter should be closed and nothing should be done to encourage the entry of more refugees. This view is obviously inconsistent with the President's policy of taking all possible steps to increase the number of refugees escaping from enemy territory.

The Board has received from various sources, including the Government of Belgium and certain reputable private organizations with long experience in refugee matters, information indicating that action can be taken in Spain which would be most effective in aiding the escape of many more victims of Nazi persecution.

The fact relied upon by Mr. Hayes to indicate that the problem has become unimportant, namely his assertion that the flow of refugees into Spain has largely ceased, is a strong reason for believing that the Board will have failed in its duty if it does not send into Spain a full time representative who will be able to explore sympathetically all possibilities of saving human lives. It may be noted that at the time a full time Board representative was appointed in Turkey the situation appeared fully as discouraging as that painted by Ambassador Hayes in Spain, but that nevertheless as a result of the efforts and ingenuity of the Board's representative a substantial number of refugees have been rescued.

A handwritten signature in dark ink, appearing to be 'J. B. ...', is located in the lower right quadrant of the page.

War Refugee Board is gratified by the Legation's efforts reported in your 908 and 1209 of March 16 and April 3. Please continue watching over situation in Finland and, as soon as sign of danger appears for Jews and central-European refugees there, urge the Swedish government to carry out its informal undertaking reported in your 908, in line with its generous performance in the case of Danish Jews. Please also take all appropriate steps to ensure that knowledge of Swedish readiness to admit these people is known in proper quarters in Finland.

While the Finnish situation should be clearer to observers in Sweden than it is here, the Board is extremely perturbed over the possibility of a sudden deterioration which would make rescue action impossible. It fully relies on you, however, to see to it that action be taken before this group of people is placed in jeopardy of their lives.

The Board notes that the informal undertaking reported in your 908 deals only with 113 Jewish refugees. This figure corresponds, on the basis of the Board's information to the number of Jewish refugees from Germany and Austria only. On the basis of past events elsewhere, the Board considers that equal danger undoubtedly threatens many additional persons. According to the Board's information, Finland has 475 Danes, 131 Italians, 192 Norwegians, 144 Poles, 172 refugees from other countries occupied by Germany and a local Jewish community of about 1500, of whom 940 have Nansen passports. Clearly, in the event of increased German influence, local and refugee Jews and many non-Jewish refugees would be equally threatened with Jewish refugees from Germany and Austria. You are requested therefore to ask that Swedish undertaking be extended to cover all of these persons. You will note that the total is less than half the number of the Danish Jews accorded refuge in Sweden.

Please keep the Board informed regarding result of your action.

THIS IS WRB STOCKHOLM CABLE NO. 3.
BAKzin:jp 4/15/44

April 15, 1944
4:50 p.m.

The figures given in the second paragraph of the attached cable are taken from the cable of the American Legation in Helsinki to the Department of State, No. 908 of March 16. They include those categories of refugees who presumably would be most threatened in Finland should German pressure in that country increase.

(Signed) J. W. Pehle

GAB-134

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

Stockholm

Dated April 15, 1944

Rec'd 12:56 p.m.

Secretary of State

Washington

1289, April 15, 1 p.m.

OLSEN'S No. 3 FOR WAR REFUGEE BOARD

Answering WRB No. one. Name Slotly appearing in
Legation's 1164, April 5 which has now been numbered as
Olsen's No. one must have been error in transmission
since we received name correctly as Stolts. It was
Senator Georg (repeat Georg) Branting who did not know
Dolivet but is cooperating fully. Hjalmar Branting died
several years ago.

Messages have not been delivered to Branting, Jenson,
Holowaty, and Wolbe. Still endeavoring to deliver re-
mainder.

Washington press release announcing my designa-
tion as representative of War Refugee Board given wide
publicity in all local newspapers together with my
supporting statement expressing my pleasure at being
able to work with the Swedes in this humanitarian field
where Sweden had made a great record. Stressed that
I would work with religious and charitable organizations
and made no reference to Swedish Government. Have been
swamped by a flood of refugees, leaders in humanitarian
efforts, job seekers, press and photographers. Local
interest and enthusiasm is excellent.

JOHNSON

REP

TELEGRAM SENT

JN

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

April 15, 1944

8 p.m.

AMLEGATION,

BERN,
1299

Please deliver the following message to McClelland
from War Refugee Board.

Suggest you contact ReW. Gustave Castelbolognesi,
former Chief Rabbi of Milan now at Touring Hotel at Lugano,
concerning evacuation of refugees from Northern Italy.

HULL
(GLW)

WEB:GLW:KG
4/15/44

SE WE SWP
Cleared over telephone
with
Mr. Jones Mr. Higgs

CABLE TO BERN

Reference Department's _____ of April 10 and _____ of April 7. Our Embassy in Madrid has been fully advised concerning the situation of internees at Vittel and other camps who hold passports, consular documents and other papers issued in the name of certain Latin American countries. The Department's above-mentioned No. _____ of April 10 was repeated to Madrid. Our Embassy there was requested urgently to report to the Spanish Government this Government's preoccupation with this matter and inform it of our pending discussions with Latin American countries regarding a further exchange of civilians with Germany, of our view that persons in Vittel and elsewhere holding Latin American papers are eligible for such exchange and of our expectation that pending such exchange they would be accorded the same treatment which Germans wish to see accorded their civilians in the Western Hemisphere. It was requested that the Spanish Government be urged to set in Madrid and Berlin to the end that these persons be given every possible protection and that it take steps immediately to correct the impression which might have been created in Berlin regarding the alleged lack of concern of the countries of the Western Hemisphere in the treatment of persons holding papers issued in their name.

With respect to the 238 persons who you reported to have been evacuated from Vittel, our Embassy was instructed to request the Spanish Government to make every effort to secure their return to Vittel.

Please convey the above information to Kiegnier, Isaac Sternbuch and other interested organizations. Explain to them fully the steps which this Government is taking through the Swiss Government and advise them that cables have been sent to the Latin American countries in whose names papers have been issued opening discussion on the subject of exchange of nationals.

On behalf of the War Refugee Board, please deliver the following message to Isaac Sternbuch from the Vaad Hahatzala Emergency Committee:

"Please ascertain conditions at Camp Zelle. Inform us if you have contact with said camps and what can be done."

Such message should be delivered after you have fully advised Sternbuch as requested above.

April 15, 1944 - 10:10 A.M.
JHmann:db 4/14/44

CABLE TO ANKARA

From War Refugee Board to Steinhardt

Board has been advised from Spain that approximately 800 Jews in France claiming Turkish nationality are in danger of deportation. Turkish Consuls have forwarded lists to Ankara but have received no decision concerning status of these people. War Refugee Board has been asked to intervene with Turkish authorities. In view of negotiations reported in your number 299 of February 19, please advise if in your opinion Board should raise question with Turkish Ambassador here.

THIS IS WRB ANKARA CABLE NO. 24.

April 15, 1944
2:15 p.m.

FH:lab 4/14/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
 TO: Amembassy, Ankara
 DATED: April 15, 1944
 NUMBER: 333

SECRET

FROM WAR REFUGEE BOARD TO AMBASSADOR STEINHARDT, ANKARA.

This is WRB Cable to Ankara No. 23.

Please refer to your No. 642 of April 10.

In February, immediately upon receiving your suggestion that Greek relief ships be diverted to refugee evacuation from Rumania (your Nos. 282, 299, 306) we addressed such a request to the Swedish Government through the Swedish Ambassador here. In reply the Swedish Government indicated that certain obstacles such as obtaining the consent of the German, British and Canadian Governments would have to be overcome before a Greek relief ship could be used for evacuation of refugees. The Swedish Government indicated however that if these conditions and certain others could be met one ship, the SS BARDALANDA, arriving in Salonika about March 15, might be used.

The British Government apparently did not desire to have any Greek relief ships diverted for refugee evacuation. It is understood that the British Legation in Stockholm felt that any extraneous delay in the shipping schedule for Greek relief would have serious and deplorable effects. The Board has been advised by the Washington representative of the Ministry of Economic Warfare in a letter dated April 5 that even a small loss of tonnage in the Greek relief schedule might leave a serious gap in deliveries. The Ministry of Economic Warfare suggested that it may be possible to reopen the question when four ships which are to be added to the Greek relief fleet have actually left the Baltic. The Ministry added however that even so it would be difficult to use a relief ship for this purpose and expressed the hope that ships can be obtained for this purpose in other quarters.

- 2 -

The contents of your No. 642 have now been cabled to Ambassador Winant with the request that he take up with the British Government as soon as possible the question of the use of the SS BARDALANDA. Ambassador Winant has been requested to emphasize to the British Government the great importance of obtaining the use of the ship at once for refugee evacuation. If approval is obtained from the British Government, Ambassador Winant is to take up the matter with the Swedish Ambassador in London, asking the latter to communicate to the Swedish Government our urgent request and further asking the Swedish Government to obtain a German safe conduct. You will be kept advised of any further developments.

HULL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, Ankara
DATED: April 15, 1944
NUMBER: 337

CONFIDENTIAL

FROM WAR REFUGEE BOARD TO AMBASSADOR STEINHARDT, ANKARA,
TURKEY.

This is WRB Cable to Ankara No. 22.

Reference your Nos. 625 and 626 of April 8.

Schwartz being advised of your recommendation regarding
Portuguese boat with which we concur.

Your efforts in arranging transit for refugees arriving
on SS MARITZA are greatly appreciated. In view of recent
voyages of MILKA, MARITZA and BELLACITTA Board would be inter-
ested to know if there is possibility that such boats can
continue evacuation operations.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: The American Ambassador, Ankara
TO: The Secretary of State, Washington
DATE: April 15, 1944
NUMBER: 685

SECRET

As Ankara's number 36 the following message is for the War Refugee Board.

Yesterday during a conversation with the Minister of Foreign Affairs he advised me that on April 11 he had again asked the German Ambassador to expedite safe conduct for the SS TARI. In view of the fact that von Papen had assured him that he was doing everything within his power to persuade the Government of Germany to grant the safe conduct, he (the Minister for Foreign Affairs) had not given up hope of obtaining it.

STEINHARDT

DCR:MPL
4/18/44

AGK-446

PLAIN

Ankara

Dated April 15, 1944

Rec'd 9:43 p.m.

Secretary of State,
Washington.

688, Fifteenth

FOR WAR REFUGEE BOARD ANKARA NUMBER 37 FOR
RABBI ROSENBERG SILVER LIEVINSON KOTDER KALMANO*
WITZ FROM GRIFFEL AND KASTNER

"Your cable no orthodox elements here. Till now collaborating here with Joseph Klarman revisionists leader from Poland now presidents member of Centren-resche Committee Jerusalem. Klarman Orthodox family collaborated Rabbi Levin late eis now Ehrman. Suggesting executive commission Griffel Kastner Klarman. We are in contact with Polish and Czechoslovakian authorities. Wishing to enlarge our rescue work according American Embassy's instructions as mentioned in your cable. Have submitted your proposals to Hirschmann who expressed satisfaction. Details following. Please wire."

STEINHARDT

AMERICAN CONSULAR GENERAL

Istanbul, Turkey, April 15, 1944.

CONFIDENTIAL

SUBJECT: Interview with a Jewish Businessman from Athens.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have the honor to submit a report of an interview with Mr. Salomon Barki, a Jew of Turkish citizenship, who left Athens on March 30 and reached Istanbul via Salonica and Sofia. Mr. Barki, who was one of the leading olive oil exporters of Athens, states that before the occupation he was in touch with the office of the Commercial Attache of the American Legation and referred particularly to Mr. George Lewis Jones. He has been a prominent member of the Jewish Community and a number of Jews who have reached Izmir in recent months have referred to his generosity in providing funds to enable Jews to hide and to escape.

Mr. Barki impressed the writer of this despatch as a very reliable informant. He is an intelligent observer who appears to be less prejudiced than most informants. It is believed that his judgment of the temper and trends of thought of the public is of more than usual interest. In addition to providing information concerning the political situation in Greece, he gave a detailed account of the present condition of the Jews in Athens.

* * *

The Political Situation

According to Mr. Barki it is true that HAM suffered a great loss in prestige in 1943. He explained, however, that one of the chief reasons for

the loss

- 2 -

the loss of prestige -- namely the feeling that it was controlled by Communists, ~~was~~ for EAM greater support from the radical elements of the population. He thought one could say this is quite generally true of private and public employees who have suffered more acutely than other classes. He believes, however, that today the public of Athens in general looks unfavorably on EAM and he attributes the continued disapproval to the fact that EAM is, as he puts it, very badly represented in Athens and probably in other towns. EAM undoubtedly has a very large membership in Athens, particularly among the young people, who are idealists and who give wholehearted and unselfish support to it.

The more conspicuous EAM enthusiasts, however, are of quite different type and create an impression that is most inimical to the reputation of the resistance movement. Mr. Barki gave as an example the wife of the concierge of his apartment house, who does a flourishing black market business and who is loud in support of EAM and in condemnation of all who are not connected with it. This woman is typical of a class that, in the violence of its attachment to EAM, has played a great part in creating a deep suspicion upon the part of the public which Mr. Barki believes is largely unjustified. For instance, he explained that if a professional person or any one regarded as a member of the bourgeoisie or the upper classes, attempts to bargain over the price of vegetables, the vegetable dealer will usually tell him to go to the devil, that he has nothing to sell him under any circumstances. The would-be buyer is probably almost destitute and certainly worse off than the vegetable dealer. The latter, however, looks upon the professional man as a member of the privileged class that he has come to regard as an enemy. A class feeling has developed, largely as a natural result of conditions, but it is associated in people's minds with EAM and other leftist organizations that do, in fact, share the responsibility. Asked whether during the past two months EAM had increased in public favor in Athens, Mr. Barki replied that he thought there was more tolerance for it than during the latter part of 1943 but the prevailing sentiment is fear of the consequences of its activities. Clashes at night, though less frequent, are still not uncommon.

Asked whether reports were true that EAM had engaged in acts of terrorism, Mr. Barki replied in the affirmative. He referred to violence against persons who withdraw from the organization and mentioned the recent case of

an Athens

- 3 -

an Athens College student who was killed after leaving the organization, because EAM feared that he would reveal its secrets.

It is Mr. Barki's opinion that after liberation groups favoring moderate social reform will attract overwhelming popular support and that Communist sentiment will not be very strong. Mr. Barki said that the prevailing thought in Athens today is dread of the period of transition and he believes that an understanding of the psychology of the public is of great importance both from a military and political point of view. People fear that if there is an interval of a few days between the German withdrawal and the Allied occupation there will be a most destructive class struggle. He believes the fear of this is perhaps the most serious obstacle to efforts to overcome internal divisions. Mr. Barki emphasized that although there is no longer a pro-German element of any size, as there was before the war, at the same time fear of the transition leads many to say they would rather continue to suffer under the Germans than face the transition under present circumstances. It is quite generally hoped that invasion will be delayed until a means can be found to neutralize the danger of a class struggle. Mr. Barki was not in touch with negotiations for unity between the political leaders, the resistance movement, the Cairo Government and the Allied missions. He thought that the Allies could do a great deal to clear the atmosphere and to make the hope for deliverance a force in achieving that end if they would assure the public that there will be no interval between the German withdrawal and Allied occupation. Not being a military man he could not make specific suggestions but expressed the opinion that the only hope might lie in the use of parachute troops. Mr. Barki stated that there had been no significant change of sentiment on the question of the return of the King. As far as he knew the change in his favor was confined to a few wealthy persons who fear Communism.

While Mr. Barki was imprisoned in a concentration camp several days in March, he witnessed an incident that he said is typical of the persecution of Greeks by the Rallis Security police acting under German orders. He saw two members of the Security Detachments bring two women to the camp. In a box on a hand-drawn cart accompanying them were several bundles and two very small babies. Mr. Barki asked the men what they

thought they

- 4 -

thought they as Greeks were doing, in turning Greeks over to the Germans. Their answer was that they had been ordered to arrest fifty and they had shown themselves good Greeks by arresting only about a dozen.

The Condition of the Jews in Athens

The following is a resume of Mr. Barki's statement concerning the present status of Jews in Athens together with his recommendations. It is urged that they be brought to the attention of the War Refugee Board.

All registered Jews, variously estimated at 900 - 1400, were arrested by the Germans on the morning of March 24 and sent to the Haidari concentration camp*. The following orders were published in the afternoon papers: 1) Any Jew circulating in the streets of Athens or found in the city would be shot at once; 2) any Greek hiding or assisting Jews would be shot.

Measures were also taken against Jews of foreign nationality. 50 - 60 Argentine Jews were arrested and sent to concentration camp where they were subjected to very great suffering. The Argentine Consul in Athens is a Greek subject and cannot protest. Of the 350 Spanish Jews in Athens, about 180 were arrested. Mr. Barki was one of the Turkish Jews taken to the Haidari concentration camp where he was detained several days but was released because Jews of Turkish citizenship, and perhaps Jews of other nationalities, are allowed to go free on condition that they have the necessary means and permits to leave the country within 24 hours.

It is

*Note: The insistence of the Germans that all members of registered Jewish families should report personally resulted, as was suggested in Despatch No. 2680 (R-2494) of March 18, 1944, in the seizure of all those who obeyed the order to report on March 24. The Germans had previously announced that in view of the approaching Jewish festival every Jew would be given a small quantity of flour and, in order to assure everyone's having his share, all members of Jewish families, even babies, were ordered to report. The Jews who reported at the appointed hour on March 24 were arrested by the Germans and sent in truck loads to the concentration camp.

- 5 -

It is estimated that 6,000 - 8,000 Jews are still in Athens and vicinity. Their situation becomes more precarious every day as their funds are gradually exhausted and they are in constant danger of being betrayed by spies. Practically all of these Jews are of Greek citizenship, with the exception of 25 - 30 Argentine and about 170 Spanish Jews, who escaped arrest and are in hiding, and also 40 Jews of Turkish origin whose nationality is not recognized, because they are not in order at the Turkish Consulate, not having been regular in the payment of a certain annual tax. This last group asks that its members be recognized as of Turkish nationality, at least provisionally, so that they can leave the country.

To assist the Jews of Spanish and Argentine citizenship, who have been arrested, Mr. Barki said that it had been suggested that the Spanish and Argentine Governments should be urged to request Turkey to grant the above Jews transit visas so that they will not be obliged to go through Germany. It is hoped that there need not be a repetition of the experiences of the Spanish Jews of Salonica, who before finally reaching Spain, were subjected to great danger and suffering during the trip by way of Germany. If Turkish transit visas cannot be obtained, Spain should request the Germans to allow the Spanish Jews to leave Greece immediately and to expedite their journey.

Mr. Barki stated that the escape to Luboea of Jews now in hiding in the Athens region is well taken care of by a local organization. The problem is to procure transportation for them to Izmir. There are always Jews waiting in Luboea, often as many as 100, and in many cases they are obliged to wait for weeks. Evacuation from Athens is slowed up on this account and in fact great care is exercised not to allow too many to accumulate in Luboea for fear of anti-Jewish feeling developing there. Lodgings and food are almost unobtainable at the island ports and those who wait endure great privations. Mr. Barki urged that boats in British and American services bring Jews to Izmir. If it is impossible to provide one or two boats for this service, the next best thing would be to instruct those in charge of boats now operating to bring a specified number of Jews on each trip. He also recommended that an appeal should be made by Greek and Allied Governments to all local Greek organizations to assist Jews to hide and to escape. He emphasized that although the Greek attitude is very helpful, the situation could be improved by such an appeal.

It is

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It is understood that to date all Jews who have reached Izmir without funds have been provided with food and lodging in Izmir and transportation to Palestine by the Greek Consulate or the local Jewish organization.

Respectfully yours,

Burton Y. Berry
American Consul General

File No. 820.02

HWD/MCD:vis

To Department in Original and Hectograph.

AIRGRAM

BY SECRET COURIER

SECRET

FROM
Caracas
Dated April 15, 1944
Rec'd Apr 22 4p

Secretary of State,
Washington.

A-323, April 15, 3:10 p.m.

Having memorized the contents of Department's airgram of April 11, I took advantage of the first opportunity to discuss these matters orally with the Venezuelan Foreign Minister. I found him to be quite conversant with the situation and in entire sympathy with our aims. Dr. Parra-Perez informed me that he had already been approached on this subject by representatives of the Refugee Committee in London and the Belgium Government. He expressed approval of our desire to initiate negotiations for exchange on the basis indicated and promised full Venezuelan cooperation.

He said that he had received no inquiries through either Spanish or Swiss channels as to the validity of Venezuelan passports held by internees in occupied countries. He assured me that his Government would not "invalidate" any such passports even though under the strict letter of Venezuelan law governing issuance of passports their revalidation should become necessary by lapse of time. He also promised me that his government would affirmatively approach the German Government through the protecting power with a demand that the rights of individuals holding Venezuelan passports or claiming citizenship on the basis of consular documents be respected.

CORRIGAN

FPC:gw

OFFICE OF
THE SECRETARY OF THE TREASURY

Received from the U.S. A.
Ambassador in London
April 15, 1944 No. 3074

SECRET

The following message is
from the Ambassador to
Secretary Morgenthau.

Your No. 2937 dated
April 13 is greatly appreciated.
Tomorrow evening I will
forward an answer which
you should receive early
Monday morning.
April 17

Warrant

CAMER 305

of April 15th.

Following for Opie.

Chancellor of the Exchequer has given the following message to Mr. Morgenthau through Mr. Winant today, April 15th.

Begins. I received your personal message of April 10th through Mr. Winant.

My colleagues and I have discussed arrangements for publication of agreed statement of principles on International Monetary Fund. We would agree to publication in both countries on a date and time to be fixed immediately agreement has been reached on outstanding points now being discussed at expert level, of agreed statement of principles, it being understood that statement would be on non-Unitas basis. Provided that agreement on outstanding points can be reached in time publication would be next week as you desire.

2. We should think it necessary that on publication we should make an announcement explaining status of documents and indicating in general terms nature of objectives of scheme and stating purpose of publishing it now. We should of course wish for an understanding with you as to form which such a statement would take and would hope that something on similar lines might be adopted also by you.

3. Our idea of such a statement would be on following lines: Begins.

This statement of principles for an international monetary fund is the result of close study over many months at expert level between our two countries. It in no way commits Governments concerned. It is conceived as part of a general plan

/ for

-2-

for international cooperation, objectives of which as a whole would be the progressive development of international trade, active employment, reasonable stability of prices and machinery for orderly adjustment of exchanges.

The purpose of publication in this way and at this stage is to promote informed discussion in all quarters from which valuable guidance can be obtained by Governments in preparation for time when policies of various interested states have to be formulated. Ends.

4. Would you let me know whether you would consider a statement on these lines suitable for your purposes and whether you agree that publication on your side should be accompanied by such a statement.

5. In the light of these proposed arrangements we should propose not to show any document to technical experts of European Governments over here and to await publication ^{before} ~~for~~ discussing statement with them.

SECRETCOPY NO. 11NOT TO BE RE-TRANSMITTEDOPTTEL NO. 121

Information received up to 10 A.M. 15th April '44.

1. NAVAL

A convoy of 38 ships from North Russia has arrived safely. an ammunition ship blew up in Victoria Dock, Bombay, yesterday evening damaging three ships aggregating over 10,000 tons. Warehouses were set on fire and Naval Stores destroyed. One of H.M. Canadian Frigates sank a U-Boat yesterday in S.W. Approaches; some prisoners were taken.

2. MILITARY

Russia Russians have made further rapid progress in clearing the Crimea and have captured 11,000 more prisoners. South West of Odessa they have cleared the East bank of the Dniester Estuary.

Burma On 12th/13th the Japanese launched a determined attack South West of Buthidaung; after making some initial penetration they were driven back.

3. AIR OPERATIONS

Western Front 14th. Fighter Bombers attacked Military constructions Northern France - 12 tons and Thionville Airfield - 10 tons where 11 enemy aircraft were destroyed on the ground. Mosquitoes shot down four Junkers transport aircraft over Denmark and destroyed three aircraft on the ground at Copenhagen. Two Spitfires missing from days operations.

Mediterranean Allied Air Force. 12th. 1898 offensive sorties flown.

Italy. Medium and light bombers dropped 164 tons on objectives in Central Italy. Fighters attacking railways near Rome and in Eastern Italy destroyed a quantity of rolling stock.

France. Railway objectives bombed in Nice Area - 184 tons.

Austria. 12th. Escorted Fortresses and Liberators bombed aircraft factories at Fischamend Markt - 378 tons Weiber Neustadt - 250 tons AQD BAD VOSLAU - 230 tons. Enemy casualties in the air 28:19:9. Ours 11 bombers and two fighters.

Yugoslavia. Liberators (one missing) destroyed 40 railway wagons and 9 grounded aircraft at Zagreb - 222 tons. Fortresses bombed a cement factory and the harbour at Split - 91 tons. Fighters attacked shipping at Corfu and off the Dalmatian Coast.

Hungary. 12/13th. Wellingtons bombed railway yards at Budapest - 88 tons.

13th. Escorted Liberators dropped 385 tons on Airfields Budapest Area. Escorted Fortresses bombed Gyor Aircraft Factory - 381 tons with excellent results. Liberators dropped 213 tons on Duna Aircraft factory. Enemy casualties in the air 37:17:12. Ours 17 bombers 3 fighters.

OFFICE
OF TREASURY

17 AM 9 19

AIR DEPARTMENT

NOT TO BE RE-TRANSMITTED

COPY NO. 11

SECRET

OPTEL No. 122

Information received up to 10 A.M., 16th April, 1944.

1. NAVAL

BOMBAY. Now known that explosion in ship loaded with cotton and T.N.T. caused a fire which completely burnt out Princes and Victoria Docks, Alexandria Dock undamaged. Fires now under control. Naval casualties slight. Small R.I.N. vessel and 3 cargo ships burnt out and 11 others destroyed.

2. MILITARY

RUSSIA. Russians have recaptured TARNOPOL and have further closed in upon SEBASTOPOL.

3. AIR OPERATIONS

WESTERN FRONT. 15th. 623 fighters sent on offensive sweeps over Northern and Central GERMANY. Enemy casualties reported 18, 1, 6, in the air and 40, 0, 29 on the ground. Allied losses - 33 Fighters. Probably large proportion due to bad weather.

YUGOSLAVIA. 13th. 38 Fortresses attacked Brod Goods Yard with excellent results.

BALKANS. 15th. Liberators bombed railway centres at BUCHAREST - 577 tons and NIS - 125 tons. Fortresses bombed PLOESTI - 286 tons through thick cloud. Enemy casualties reported 13, 3, 5. Ours 10 bombers, 4 fighters missing.

Developments during the week of
April 10 - 16, 1944

1. STATEMENT ON AXIS ATROCITIES

Ambassador Steinhardt has advised that the President's statement of March 24 was publicized in the Turkish and Balkan press and on the radio, and that he has been informed it made a deep impression on the people of the Balkan and central European countries. It has been suggested to Steinhardt by Bulgarian, Hungarian, and Rumanian sources that the President's statement be broadcast in all Slavic and European languages at least once a day by the Algiers and American radio stations. Since a great many people in the Balkan area do not have radios, Steinhardt also suggested that pamphlets containing the President's statement be dropped from Allied planes on bombing missions over Europe.

The British Foreign Office has advised Winant that on and since the issuance of the British statement of March 30 by Mr. Eden, similar in content to the statement of the President, the British have been taking action paralleling our own in the psychological warfare field by broadcasting their statement in all foreign broadcasts, particularly for the purpose of having it come to the notice of the satellite governments and their people.

2. COOPERATION WITH OTHER GOVERNMENTS

(a) Neutrals

(i) Spain

In response to our specific plan of operations in Spain to further the evacuation of refugees to and through that country, recently proposed to Hayes, the Ambassador

- 2 -

has informed us that he feels no such plan should be put into effect until it becomes apparent that our efforts to stimulate the influx of refugees into Spain will render insufficient the facilities now existing for their care. According to Hayes, the latter facilities in the form of Blickenstaff's organization are adequate to cope with present problems and have the support of the Spanish Government, which Hayes believes would look with disfavor upon the plan outlined by the Board.

With respect to the rejection of certain refugees who had applied for admission to Camp Lyautey, by the French authorities, we have advised Ackermann to use his own judgment in the matter of pressing the French to admit those rejected refugees who had been in Spain since prior to 1933. The French have made some concessions in their policy regarding admissibility to Lyautey as a result of our representations and it is felt that it may be undesirable to press them further in this matter.

In an effort to induce the Spanish and Portuguese Governments to grant asylum to additional refugee children, instructions have been sent by the State Department to our Missions at Madrid and Lisbon, similar to the instructions recently transmitted to our diplomatic representatives in Switzerland, providing for the issuance of 1,000 immigration visas to refugee children from France, who arrive in Spain and Portugal on and after January 1, 1944, and before July 1, 1944.

(ii) Portugal

Dr. Robert C. Dexter has accepted the appointment, approved by Minister Norweb, as the Board's Special Representative in Lisbon and as Special Attache to the Legation on war refugee matters.

(iii) Sweden

About two months ago we were advised by Minister Johnson that, although the Swedish Government had been urged to make a public appeal to Germany to permit refugee children to come to Sweden from Poland, it had not taken action on the ground it was clear that Germany would reject such an appeal, if made. We subsequently received a report from London indicating that circumstances would appear to be favorable at this time to encourage the Swedish

- 3 -

Government to request Germany to release up to 20,000 refugee children of all nationalities. Accordingly, we have drafted a cable to Johnson which is pending at State, asking him to approach the Swedish Government and request that it take such action. We are pointing out to Johnson, for the information of the Swedish Government, that such an appeal should not now prejudice the possibility of refugees escaping unnoticed, a fear previously expressed by the Swedes, since the evacuation of refugees from Denmark has now been completed, and stating that we would undertake to meet the Swedish request made in this connection in 1943 with respect to assurances as to the eventual evacuation of the children from Sweden, the delivery of additional foodstuffs for their assistance while in Sweden and the furnishing of financial assistance to aid in their maintenance while there.

(iv) Turkey

On April 7 the Bulgarian "S.S. Maritza" arrived at Istanbul from Constanza with 244 Jewish refugees. Turkish authorities agreed to permit this group to land and have furnished them with rail transportation to Palestine although, according to Steinhardt, only a few of the refugees had Turkish visas and Palestine certificates. We have also received word from Steinhardt that the "S.S. Bellacitta" was expected to sail from Constanza on April 9.

The Turkish Ambassador has advised us that it is his understanding that his government is no longer insisting upon a guarantee to replace the "S.S. Tari" in the event of loss with a passenger vessel but that it will accept a guarantee of a cargo ship. The governments of Switzerland and Sweden and the Holy See have been asked to support the request of the International Red Cross for a German safe-conduct for the "S.S. Tari." We have been advised by our Mission at Stockholm that the Swedish Minister to Berlin has been instructed to support the IRO request for safe-conduct for this vessel. The Russian Ambassador at Ankara has informed Steinhardt that his government is granting safe-conduct for the "S.S. Tari." Although the signing of the charter party for the "S.S. Tari" should be delayed as long as possible until more definite word with regard to German safe-conduct is obtained, we are authorizing Steinhardt to use his own judgment in this matter and to charter the "S.S. Tari" when and if he deems it advisable.

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We have received a communication from Steinhardt that a member of the Swedish Legation at Ankara has expressed the belief that a Swedish vessel, "S.S. Bardalanda" now in the eastern Mediterranean, might be made available to transfer refugees from Constanza to Haifa. Steinhardt stated that this ship could be used in addition to the "S.S. Tari" and requested that we approach the Swedish Government on the matter. The "S.S. Bardalanda" is one of the Swedish vessels engaged in the Greek relief program and we are cabling Winant requesting that he take up with British Government the use of this vessel since our previous efforts to obtain the diversion of Swedish vessels engaged in Greek relief were opposed by the British who apparently did not wish to have any of these ships diverted for refugee evacuation. If Winant obtains the approval of the British Government to the proposed use of this vessel, he will then take up our request with the Swedish Ambassador in London, also asking the Swedish Government to obtain a German safe-conduct for the "S.S. Bardalanda."

Steinhardt also advised that, since there apparently were a sufficiently large number of refugees to justify the use of ships in addition to the "S.S. Tari," and, since the obtaining of a German safe-conduct for the "S.S. Tari" is uncertain, that the JDC representative at Lisbon should resume and attempt to conclude his negotiations for a Portuguese vessel. The JDC has cabled its representative at Lisbon to this effect and we have asked Norweb and Dexter to give him all possible assistance in his effort to obtain a Portuguese ship for evacuating refugees from Rumania.

(b) Yugoslavia

Ackermann has recommended that Saxon, who has just returned to North Africa from Bari, be recalled to Washington at once to review the details of the refugee situation, particularly the possibilities of rescue operations in and through Partisan territory. The Partisan representatives, according to Ackermann, claim to have done much already in this direction but they are handicapped by lack of ships, supplies, and money.

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(c) India

A report has been received from our Mission at New Delhi to the effect that the standing finance committee of the Indian Legislative Assembly has approved the proposal to pay India's contribution toward the administration expenses of the Intergovernmental Committee. India has accepted the invitation to become a member government subject to approval by its Legislative Assembly. No reply has as yet been received from the government to our Mission's approach as a result of the instructions contained in the circular airgram of January 26. Our Mission believes, however, that the Indian Government intends to limit its assistance in refugee matters to the payment of India's share of the administration expenses of the Intergovernmental Committee.

(d) Latin American Countries

In an endeavor to induce the Latin American Republics to give assurances to Switzerland similar to those we have given by means of the instructions issued to the U. S. Consular offices in Switzerland regarding the issuance of immigration visas to refugee children arriving in Switzerland, cables have been despatched to our Missions in Brazil, Panama, Cuba, Dominican Republic, Colombia, Peru, Chile, Uruguay, Mexico, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Ecuador and Paraguay, requesting that the governments of these countries give such assurances to the Swiss Government. Those Latin American governments which do not have consular representatives in Switzerland qualified to issue visas are being advised that U. S. Consular offices are prepared, if they so desire, to issue such visas on behalf of the respective Latin American governments. We are also advising the Latin American governments that the Special Representative of the War Refugee Board attached to the American Legation at Bern will be pleased to cooperate with the diplomatic and consular offices and the governments of the Latin American Republics.

(e) Canada

In an effort to obtain action by the Canadian Government parallel to that taken by this government, we have cabled the Embassy at Ottawa asking that the appropriate officials of the Canadian Government be advised of the instructions which were recently issued to United States

Consular offices in Switzerland, authorizing the issuance of 4,000 immigration visas to refugee children arriving in Switzerland with the view of facilitating by such issuance the escape of additional refugee children to Switzerland and suggesting that the Canadian Government take similar steps with regard to 1,000 children. Canada had previously expressed its willingness to accept 1,000 refugee children from France.

3. SPECIAL PROJECTS

(a) Internees in Occupied Europe holding Latin American Passports.

Reports from Switzerland indicate that 238 Jews who had been interned at Vittel have been evacuated to an unknown prison. This was apparently done upon the ground that they possessed only accommodation passports issued by certain Latin American countries and consequently they were not eligible for exchange for German citizens in Latin America. Reports were also received that the Spanish Government had been requested by the Germans to inquire into the validity of the Latin American passports held by these persons and that the Latin American governments had denied responsibility. The private agency making these reports stated that only by assuring the Germans that an exchange is being prepared for these people could they be saved. We have cabled Harrison that it is essential that German doubts as to whether these persons are exchange material must be promptly and effectively dispelled and we have asked him to request the Swiss to use their good offices to inform the Germans that this government is undertaking discussions with Latin American countries for further exchanges of Germans in the western hemisphere for persons in German-controlled territory; that this government considers all internees who were at Vittel to be eligible for such exchange and that the Germans should be advised that in the meantime we expect these persons to be accorded the same treatment which Germany expects to be accorded to her citizens in the western hemisphere.

Cables to our Missions in Costa Rica, Ecuador, El Salvador, Haiti, Peru, Nicaragua, Venezuela, and Paraguay, have also been despatched. We are asking that these governments be asked to give their approval to this government's approaching the German Government through

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appropriate channels with a view to initiating such exchange negotiations. We also are requesting these Latin American governments to themselves approach the German Government through the protecting power with the demand that all persons claiming their citizenship on the basis of passports or consular documents be accorded the same treatment as that given to prisoners of war under the Geneva Convention.

We have also cabled our Embassy in Madrid requesting it to report to the Spanish Government our vital interest in this matter and the pending discussions with the Latin American countries regarding a further exchange of civilians with Germany, setting forth the position of this government in the matter and requesting the Spanish Government to act at once to correct the impression which may have been created in Germany that there is a lack of interest on the part of the Latin American countries in the treatment of these persons who hold documents issued in the names of such countries.

We have also asked both the Swiss and Spanish Governments to make every effort to have the 238 persons, removed from Vittel, returned thereto.

(b) Jewish Labor Committee Program for Evacuations from France.

Upon the recommendation of the Board, a license was issued to the Jewish Labor Committee permitting its representative in Portugal to carry on relief and evacuation operations in enemy territory. An initial remittance of \$10,000 was authorized to begin operations designed to rescue persecuted persons from France.

(Signed) J. W. Pehle