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War Savings Bonds

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May 8, 1944
8:40 a.m.

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Ernest
Olrich: Good morning, Mr. Secretary.

HMJr: Good morning.

O: This is Olrich speaking.

HMJr: I hope you had a good week-end.

O: I did. I went up to New York City and I got some things done but instead of having a nice day, it rained from early morning until late at night.

HMJr: Oh, I'm sorry.

O: But I accomplished much.

HMJr: Mr. Olrich, there are two things. I am going to have Sullivan get in touch with you and I want to have a little meeting between you and some of the lawyers and before you've seen me I want to draw up a kind of a standard on which we -- everybody will be satisfied on these dollar-a-year men that you're going to bring in, you see?

O: Yes, sir.

HMJr: I think we ought to have a formula.

O: Yes, sir.

HMJr: I'll have Sullivan get in touch with you in a little while and then I'd like to see you all this afternoon.

O: Yes, sir. I'll be available.

HMJr: And then, I mean this business of -- I'm not sure how I want to proceed on -- for instance, in getting -- I was reading your memo on Westinghouse and General Electric -- to appoint a representative, you see?

O: Well, that is to suggest someone.

HMJr: Well, I -- I'd like to spell it out and have a little talk with you.

O: Yes, sir.

HMJr: Then the other thing, there's nobody on your wire, is there?

O: No, sir.

HMJr: You don't have -- I was out for dinner last night and in my hearing what's his name -- Loeb said he spent from two to six Saturday afternoon with Will Clayton.

O: Yes.

HMJr: I wondered if he did that at your request.

O: Yes, sir, he did. It was to check over the form that he and I had gone over, with the reporting on the information that shall come to the Procurement Division from the Army or other Divisions on the surplus that they were to give us.

HMJr: But I mean, that was at your request.

O: That was at my request, yes, sir.

HMJr: I see.

O: They called the meeting. I was going to New York. I had some appointments there and they called the meeting at 12:30.

HMJr: Yeah. Well, when we get around to having you go on in Sullivan's place, you see....

O: Yes, sir.

HMJr:then somebody has got to be appointed as an alternate to you.

O: Yes, sir.

HMJr: And I very much want to be consulted. Well, anyway, I have the appointing.

O: That's right.

HMJr: And you be thinking over who you want as your second.

O: I will.

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HMJr: And talk to me before you make any commitments on that. Will you?

O: Yes, sir. I will.

HMJr: Thank you.

O: There have been no commitments.

HMJr: Well, that's good, because as I say, well, I want to talk it over and, as I say, it's up to me to do it but naturally I want somebody that pleases you and me.

O: Yes, sir.

HMJr: I think you know what I'm talking about.

O: I do, s'r.

HMJr: Right.

O: All right.

HMJr: Thank you.

O: All right.

HMJr: I'll see you later.

O: Yes, sir. I'll be available.

HMJr: Thank you.

O: Good bye.

May 8, 1944
9:19 a.m.

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HMJr: Hello.

Operator: Mr. Acheson.

HMJr: Hello.

Dean
Acheson: Good morning, Henry.

HMJr: Good morning to you. Anything from Argentine?

A: I was just inquiring about it. I was out at the farm over the week-end.

HMJr: Yes.

A: And I have just asked the Secretary's office to go through the files of incoming messages....

HMJr: Well....

A:and see if they can find one.

HMJr:if there's something, will you call me back?

A: You bet. I will.

HMJr: Thank you.

A: You bet. So long.

May 8, 1944

9:30 a.m.

GROUP

Present: Mr. C.S. Bell
Mr. O'Connell
Mr. Sullivan
Mr. Gaston
Mr. Gamble
Mr. Smith
Mr. White
Mrs. Klotz

H.M.JR: For once in my life I tried to get around the situation by saying what I did, and this Congressman from North or South Dakota did it in a very nice way, and I squirmed out of it, which Drew Pearson didn't get at all.

MR. GASTON: Mundt. He is an isolationist, isn't he?

MR. WHITE: But the story was very sordid.

MR. SULLIVAN: There is something on the ticker this morning about a fellow trying to attack Paul McNutt. It says he was the same man who tried to attack you in 1942.

H.M.JR: Attack me, how?

MR. GASTON: He was going to shoot Paul McNutt over the telephone.

H.M.JR: That is very risky.

MR. WHITE: That is Radar!

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H.M.JR: We have the French at eleven.

Now, I have a couple of odds and ends here. I got this memorandum from Mr. Charlie Bell--

MR. BELL: Oh, that series of press releases. You gave it back to me.

H.M.JR: Have you consulted Mr. Smith?

MR. BELL: No, sir.

H.M.JR: Would you?

MR. BELL: Yes, sir.

H.M.JR: And before it comes to me. He is over-all, in case you don't know it, on public relations for the Treasury.

MR. SMITH: Cover-all!

H.M.JR: I think you have a good idea, but it would save me time, and you, if you would take it up with Smith.

MR. BELL: All right, sir.

H.M.JR: This idea of getting out a monthly bulletin to the ninety thousand employees, I think, is a good idea. That was the only thing in there, wasn't it?

MR. BELL: That is it, one each month - a series.

H.M.JR : There is a press release - if it is all right with Smith, it is all right with me.

Now, I got this memorandum from Mr. Olrich, and I spoke to him this morning. I will tell you what I would like you to do, John; I would like you to get together, you and Joe and Lynch - do you want to make notes? Then this Thurman Hill - that is the fellow--

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MR. O'CONNELL: Chief Counsel.

H.M.JR: ...and Charlie Bell, and get Olrich here. I want a kind of - I don't know what you call it - protocol, or something - drawn up as to what we require of a dollar-a-year man who is going to go to work over there. Do you see?

MR. SULLIVAN: Yes.

H.M.JR: A code of ethics; I don't think we have such a thing. Now, for example, he engaged H.O. Penn of the Penn Construction Company, to act as head of the Construction Equipment Section. He is to give us three weeks of his time each month.

Now, I think he said, as I understand it, that Mr. Penn must agree that during this time his company would not sell any construction to Procurement. That was my understanding.

Well, let's say he did it; there should be something in writing.

MR. SULLIVAN: There will be other cases, so we better just draw a formula.

H.M.JR: He has arranged for top executives of Westinghouse, General Electric and Graybar, to get together and arrange for a man to take charge of our Electrical Supply Section. I don't want them picking the man who is going to sell back to Westinghouse, General Electric, and Graybar.

MR. SULLIVAN: I agree.

H.M.JR: The man is being perfectly frank about it, but he has to be educated. And I think that you fellows should get together, as I said - you and Joe and Lynch, and Thurman Hill and Charlie Bell and this man, and draw me up a code of ethics. Could you have it ready for me at three? Is that rushing you too much?

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MR. SULLIVAN: No, I don't think so. You will be away, won't you, Joe?

MR. O'CONNELL: I had expected to go on the Hill at ten. Lynch will be there with Dan Bell on the Public Debt bill. We will be back by noon. That is the only thing that makes me hesitate on three o'clock.

H.M.JR: What are you doing on the Hill?

MR. O'CONNELL: Lynch is going down with Bell in connection with the testimony on the Public Debt bill. I have a tentative appointment to see Patman this morning. He is on the same Committee. I thought I would go down with them at ten.

H.M.JR: When are you leaving?

MR. O'CONNELL: In five minutes, if you will let me. We should be back before noon.

MR. SULLIVAN: Then you get in touch with me when you get back and I will call Olrich.

H.M.JR: Could you still do that thing? Would three-thirty help any?

MR. O'CONNELL: We can shoot for three. I guess that is as good a name as any - code of ethics.

H.M.JR: Code of ethics under which the people can come - and I thought if you fellows met first, and then came in here--don't you think it is very important?

MR. SULLIVAN: Yes, I do. I think you have to set your pattern now, so when he hires these people he can tell them where they stand.

H.M.JR: I don't want Westinghouse, General Electric, and Graybar picking a man who is going to handle electrical supplies. That is part of my job. It is you fellows' job to see that we get him off to the right start. Does that interest you at all, Herbert?

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MR. GASTON: No, I think not.

H.M.JR: Oh, now on that, I wrote down - of course, I am sure that Will Clayton hasn't got a code of ethics, but let's draw up our own and simply tell him - "Here is the one we have; what are the other agencies under you going to do?"

But I think we should draw up our own.

MR. SULLIVAN: I will call him up this morning and tell him we are going to do that, and ask him if he has any guides or standards.

H.M.JR: Do you want to make a bet on it that he hasn't?

MR. SULLIVAN: No, I wouldn't bet one way or the other.

MR. O'CONNELL: I don't think there is a code of ethics in town. I don't think WPB, or any of the outfits, have done anything as definitive as you are suggesting. I think it is a good idea.

H.M.JR: I want something. It wouldn't do any harm to let the world know about it. What do you think, Mr. Over-All?

MR. SMITH: Let's take a look at it first.

H.M.JR: Well, Herbert?

MR. GASTON: I have nothing this morning.

MR. SULLIVAN: Nothing.

MR. O'CONNELL: Nothing. May I leave?

H.M.JR: Yes. You are going up on this trip that I made?

MR. O'CONNELL: Yes.

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(Mr. O'Connell leaves the conference)

H.M.JR: Theodore?

MR. GAMBLE: I have one matter I would like to bring up. Sometime in the next week or ten days I would like to bring down some twenty top people in the radio industry, much as we did during the Third War Loan Drive, in preparation for the Fifth War Loan Drive.

So, if you will set a date when we could have them for luncheon--

H.M.JR: Well, now, this is the 8th. How is Wednesday, the 17th?

MR. GAMBLE: That is not so good. If you could do it Monday, the 15th--

H.M.JR: No, and I can't promise Tuesday. What is the matter with the 17th?

MR. GAMBLE: The 17th I have to have a bankers' meeting.

H.M.JR: Where?

MR. GAMBLE: In the State of Colorado.

H.M.JR: Are you going clear out for that?

MR. GAMBLE: I will only be out over one day.

H.M.JR: When will you be back? Do you go to Colorado and back in a day?

MR. GAMBLE: Yes, over night.

H.M.JR: Well, do you want to make it the 19th?

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MR. GAMBLE: Is that a Saturday?

H.M.JR: No, a Friday.

MRS. KLOTZ: In case he can't fly back--

MR. GAMBLE: Yes, I will be back for that date. I will be in Colorado on the 17th.

H.M.JR: That gives you an extra day.

MR. GAMBLE: The 19th is all right.

H.M.JR: Do you want the luncheon downstairs?

MR. GAMBLE: Yes, sir.

H.M.JR: Mr. Bell, will you reserve enough room for us down there to have Mr. Gamble and twenty beautiful girls?

MR. GAMBLE: Twenty lovely starlets!

H.M.JR: Incidentally, has Mr. White asked you to supply the entertainment for his World Monetary Conference?

MR. GAMBLE: He hasn't yet, but I will be a little disappointed not to help out.

MR. WHITE: I should certainly think it would smooth matters.

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MR. SMITH: Gypsy Rose Lee, and put a sign on her, "Fort Knox."

MR. WHITE: For all those who sign!

H.M.JR: Anyway--

MR. GAMBLE: That is all.

H.M.JR: Now for tonight, would you notify--I would like Dan Bell to come tonight.

MR. GAMBLE: Mr. Bell, Mr. Gaston, Mr. Sullivan, Mr. Smith, Mr. Charles Bell, Mr. Haas, Mr. Lindow, and Mr. Tickton are on the list. And I have given the names to Fitz already for nine o'clock.

H.M.JR: What a man!

All right.

Frederik?

MR. SMITH: I have nothing.

H.M.JR: Just like that?

MR. SMITH: Yes.

H.M.JR: I talked to Acheson. He has not yet heard whether they had any cables at ten minutes past ten. He was going to find out and let me know.

MR. WHITE: Mr. Bill Taylor left hurriedly yesterday morning. He had an opportunity to go and said he wanted to come in and see you first, but he had no way of reaching you. He left at eight o'clock on Sunday morning. He was informed Saturday in the late afternoon.

H.M.JR: He got a seat?

MR. WHITE: He got a plane; I don't know whether it was a bomber or not.

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H.M.JR: He left when?

MR. WHITE: At eight Sunday morning. You had a note about it. T. V. Soong--

H.M.JR: Yes--could you stay behind a minute? I would like to talk to you about that.

Bell was upset because you called Hall at eleven o'clock Saturday night.

MR. WHITE: I don't know why Bell should be upset about calling Hall that night. I called Hall, not Bell.

H.M.JR: Well, it was so unusual for you to call.

MR. WHITE: Well, the actual story was as follows: When I came back here I was here but a short time to pick up the Russians for our afternoon meeting.

H.M.JR: I don't need to know. He wanted to know if anything had happened.

I said that nothing had happened.

MR. WHITE: So I didn't think of that.

I would like to finish, since it seems so unusual and so ridiculous for me to have called him that late. But I thought of it after I got home. I put in a call about seven o'clock. Hall wasn't there, and I told him to call me when he got back. Hall came back late, so he called me. I told him I didn't want to disturb Bell and he should tell Bell about it. He had quite a long story, and I told him to take it up with Bell.

Apparently the Russians misunderstand him. There is complete misunderstanding between them.

H.M.JR: Is there?

MR. WHITE: Yes, apparently.

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H.M.JR: As far as the Ambassador was concerned, he wasn't disturbed. I told him about our bet. I don't have to get in on it, do I?

MR. WHITE: Not unless Mr. Bell feels you do. All I know now is that there is complete misunderstanding.

H.M.JR: Would you mind telling that to Bell yourself?

MR. WHITE: That will be all right.

H.M.JR: When he comes down off the Hill.

MR. C. S. BELL: We are going ahead with acoustical treatment in the whole cafeteria. We found a lot of the tile down in the Bureau of Engraving and Printing. We are buying the additional that we need.

H.M.JR: That is good.

MR. C. S. BELL: The American Legion has taken up with the President the matter of selling poppies in Government buildings. We are going along with the Bureau of the Budget and are holding that down just to the entrance so they will sell poppies at the entrance, inside.

MR. GASTON: The Legion, or Veterans of Foreign Wars? It is usually the Veterans of Foreign Wars.

MR. C. S. BELL: Veterans of Foreign Wars is correct.

I will have all of the dope on the air raid tonight.

H.M.JR: Is there going to be one?

MR. C. S. BELL: Apparently, according to the paper this morning.

MRS. KLOTZ: Two hours.

H.M.JR: The boys have to play.

MRS. KLOTZ: That is terrible.

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MR. C. S. BELL: We have hired two Japanese girls in Chicago. Foreign Funds is requesting the appointment of a Japanese girl here to interpret for them. This seems to be a regular appointment procedure throughout the Government. There are twenty-six naturalized Japanese appointed in the Government service. This War Reallocation Board makes the original recommendations to the Departments. We are checking them pretty thoroughly.

H.M.JR: I hope so. I am not very enthusiastic about that, but--

MR. C. S. BELL: That will be three in the whole Treasury Department.

H.M.JR: One would be too many--could be too many!

MR. C. S. BELL: Yes, sir.

H.M.JR: What are they going to do in Chicago?

MR. C. S. BELL: Just routine clerical work on the bonds.

H.M.JR: Born in America?

MR. C. S. BELL: Yes, sir. Mr. White has recommended the appointment of Otto Nathan, born in Germany, and came to this country in 1933. We are running an investigation on him. He has a very good background. He would get sixty-five hundred as assistant to Bernstein. Mr. White can tell you about it.

MR. WHITE: It is a temporary job during the summer. The man is a professor. He is going to help work on German reparations and some other problems connected with it. He has been working around town with the Government here for many years.

H.M.JR: That is all right.

MR. C. W. BELL: Do you want to see a list of the committees, Procurement Division? There are two on there that Mr. Sullivan feels that Mr. Olrich should have on. (Hands Secretary list entitled "Interdepartmental Committees with Procurement Representatives.")

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H.M.JR: The President's Soviet Protocol Committee, Cliff Mack and Walsh. Is there any reason why that should be changed?

MR. SULLIVAN: No, sir, I am against putting Olrich on any more than two committees.

H.M.JR: I just want to read it. Every once in a while I think it is a good thing to check these things.

"Procurement Policy Board Committee." Now, whom does that meet with?

MR. SULLIVAN: Army, Navy, and Maritime Commission.

H.M.JR: Mack and Walsh.

"Surplus War Property Committee on Policy, John Sullivan and John Loeb."

MR. SULLIVAN: Olrich will take my place on that committee.

H.M.JR: He will be the Treasury representative?

MR. SULLIVAN: Yes, he should.

H.M.JR: When will that happen?

MR. SULLIVAN: Right now.

H.M.JR: Do you want that to happen now?

MR. SULLIVAN: He can wait a couple of weeks, I mean.

H.M.JR: They will meet when?

MR. SULLIVAN: Once every two weeks.

H.M.JR: You don't want that to happen now, do you?

MR. SULLIVAN: The first of June will be all right.

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H.M.JR: Then Olrich succeeds Sullivan; and then there will be the question of appointment of an alternate. I want to be consulted on that subject, very definitely. I have told that to Olrich this morning.

"Army and Navy Munitions Strategic Material Committee, Mack and Walsh." My God! Cliff Mack.

"American Standards Council Committee."

"Federal Specifications Executive Committee, N. F. Harriman."

"Joint Contract Termination Board, Thomas J. Lynch, Tom David."

"Purchases on Blind Made Products Committee, Mack and LeFevre."

"Advisory Committee on Procurement Policy, Robert LeFevre." What is that, Advisory Committee on Procurement Policy?

MR. SULLIVAN: I don't know what that is.

MR. C. S. BELL: It sounds like a small inter-office committee.

H.M.JR: I thought LeFevre had been moved out.

MR. C. S. BELL: No, sir, he is still there.

H.M.JR: "Inter-Agency Committee on Standard Commodity Classifications." Would you mind, John, sort of taking up these others, other than the ones of surplus war? Sort of raise the question with Cliff on all of these. Would you mind?

MR. SULLIVAN: Sure, I will be glad to.

H.M.JR: My God, if he goes to all of these things, I don't see how he ever gets a chance to work.

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MR. SULLIVAN: They take up an awful lot of his time, Mr. Secretary.

H.M.JR: Would you mind? Can I give him this?

MR. SULLIVAN: Sure.

H.M.JR: One other thing, John, that I wish you would take up when you meet with him is, I want a method of reporting from Olrich to me. For instance, he closes these seventeen hundred automobiles on a negotiable basis, not on a bid basis. When that thing is finished--while it is too late for me to change it, still I want a report that such and such a deal was consummated. In other words, I want, as he does these things, to be informed, how he sold several hundred automobiles, the method, and so forth, and so on. I don't want to wait too long. After all, there should be some reporting somewhere of what he does, Charlie. See?

Now, I understand he will have an inventory every two weeks. He says he has thirty-seven million dollars worth of stuff on hand. Well, if he is going to get one, I would like to know it. If he sets up a statistical organization, I want Haas to be consulted. In other words, if it is going to be every two weeks, I want to know it. As he closes these things, I want to know it. He has to set up a reporting system between his office and mine. I think Charlie ought to get in on that.

MR. SULLIVAN: That is right.

H.M.JR: There should be some kind of reporting system.

MR. C. S. BELL: Well, we have that definitely in mind. We will let him feel his way along this week.

H.M.JR: But he is moving very fast. He had dinner with me Friday night. Stuff that has been hanging fire, he is just closing it. He is a very fast mover. So you can't wait too long. I want him to move fast.

MR. SULLIVAN: Sure, he does.

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H.M.JR: He set up a little policy board of his own.
Harry, would you stay?

May 8, 1944
10:30 a.m.

FRENCH CURRENCY STABILIZATION

Present: Mr. White
Mr. Luxford

H.M.JR: Why is the deadline tonight?

MR. LUXFORD: We have a notification provision under their license which says we have so many days in which to say no. Otherwise, under the license they may proceed.

Now, previously, we had to withdraw the notification. We then went to State and State said, "You must go ahead with this transfer." So they have again filed for the transfer, and under the notification, it will expire unless we stop it. I, personally, don't see how we can stop it with State squarely on record.

MR. WHITE: All right then, we won't.

H.M.JR: This is stopping the transfer of funds - frozen Yugoslav funds.

MR. WHITE: They are now in commercial banks, to the account of the Royal Yugoslav Government.

They are making one significant change in the negotiations with the Russians on this post-war Lend-Lease. They have accepted the terms which were suggested.

H.M.JR: Who accepted them?

MR. WHITE: State Department in their negotiations with the Russians. Whether it was satisfactory to the Russians, we don't know yet, but they are including this

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phrase - I think it is good, but it is something new - "If by reason of extraordinary and adverse economic conditions, during the course of the payment, the making of the transfer of money is not in the joint interest of the United States and Soviet Russia, further transfers may be agreed upon by both countries."

In other words, for some reason or other, either they are unable to transfer - in the case of Russia, it is a matter of transfer - it is a question of whether they can get dollars. Here is a provision which permits postponement of payment by both countries. It is the only other change. I gather that would have your approval.

H.M.JR: 'Now, wait a minute. Is this what you are reading from? (Refers to schedule of transfers submitted by State Department)

MR. WHITE: This is a further move than that. We just got this yesterday - this additional item.

On the Dutch monetary agreement - I have just been talking with Luxford on it and he thinks, and he convinced me, that we can stall on it even as long as a week or two, and desirably so, because in the first place, that other matter - that Argentine matter - hasn't come through; and in the second place, he feels we ought to deal directly with the Dutch Government on this, rather than through State, so as not to give the Dutch Government the impression that State has forced us to change our mind.

H.M.JR: That is all right.

MR. WHITE: But he has convinced me it isn't urgent within the next week, so we can let that slide. So he will unquestionably--

H.M.JR: He hasn't pressed me. I keep bringing it up. I get a lot of fun kidding him on it.

MR. LUXFORD: He can't press the Secretary now.

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H.M.JR: He didn't say a word the other day. His answer was, "Please don't kid me in front of anybody from the State Department," but he has got it very much in mind, and so forth and so on.

Incidentally, I don't know whether I told you, a week ago I saw Herbert Lehman and I said, "Does this mean anything to you from the standpoint of relief?"

He said, "I frankly don't know what you are talking about."

I tried to explain it to him. He said, "I can imagine; I don't know."

I said, "If you will call up, I will be glad to have somebody come over and explain it to you."

He said, "Can I have other people present?"

I said, "Yes," and he has never done anything about it. It is so important on the relief problem, and Herbert Lehman doesn't even know about it.

I was there, roughly, a week ago.

MR. WHITE: He hasn't called?

H.M.JR: He hasn't called. And if it isn't important to him, and everything - I just think it is another one of these things that the State Department made a pretty tough bargain and they would like to sweep it up at our expense. So, it doesn't worry me, but I am dying to know what Armour's answer is.

MR. LUXFORD: He should be replying by now. He sent that, "Special, Urgent."

H.M.JR: I called this morning - I called Acheson. He had just gotten in.

MR. WHITE: I would like to bring you up to date in our discussions on the mark rate.

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H.M.JR: I think you ought to bring me up to date on the French before you do that.

MR. WHITE: The French - he is going to bring you up to date - Mendes-France.

H.M.JR: But you better tell me our side of the story first.

MR. WHITE: I will dispose of the mark. It will take me less time, I think.

There have been prolonged discussions as to what rate will be over the mark.

H.M.JR: I can't move Harry this morning. Have you tried him? He wants to go right down the line.

MR. LUXFORD: He makes an excellent trial lawyer. The Judge asks the question and he goes right back to what he was saying.

H.M.JR: I don't think he wants to hear me this morning.

MR. LUXFORD: He is coming to that.

MR. WHITE: They are bringing pressure to come to a decision. There is a very great variation in opinion. The British first suggested a twenty-cent rate.

H.M.JR: This is for the mark?

MR. WHITE: For the mark.

H.M.JR: My God!

MR. WHITE: I don't know why they are in a hurry.

H.M. JR: Twenty cents!

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MR. WHITE: Ridiculous, absurd! The official rate is forty cents. The rate at which they operate mostly is twenty-four. The black market rate is thirty-four and thirty-five cents. By the time they get into Germany it will be something else again. But the State Department wanted the seventeen-cent rate; FEA wanted the sixteen-cent rate; the Treasury - we said something between a five and a ten-cent rate. They thought it was very ridiculous. I called a very large meeting, finally, at our office. We got them all around the table and explained to them why we thought this rate should be low, because if the occupation authorities were going to be saddled with the responsibility of maintaining some kind of order, they had a chance only at a low rate; they had no chance at all at a high rate.

Suffice it to say that when we got through with the discussion they backed away from their high rates and began coming down. They agreed we were correct, in the main.

The British had a discussion with us; they, too, abandoned their position after hearing us. They have come down to a thirteen-cent rate. So they are probably making for about a ten-cent rate, but before we finally decide, I will marshall all the arguments for you, and tell you why, before we let them know.

H.M.JR: What does Macy's want?

MR. WHITE: Macy's would probably like a five-cent rate.

H.M.JR: You just want to bring me up to date? Is that all?

MR. WHITE: That is all on that, because you will probably hear from that from many sources. The thing is assuming an urgency which really doesn't exist. We asked permission to take it up with the British and Russian Governments, which they gave us. We have discussed it with the British; I don't know who discussed it with the Russians.

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I asked them whom we should discuss it with. They got a message back that Morozov is coming back. It will be interesting to hear. We haven't heard their view yet.

H.M.JR: Incidentally, can't you ask the Russians what rate they are using in Roumania?

MR. WHITE: I will ask them.

H.M.JR: And what they are doing for money.

MR. WHITE: I did ask them, and got nowhere. I will ask them officially.

H.M.JR: The rate and the money.

MR. WHITE: The money, I think they told you. Didn't they tell you they are using special Roumanian money? You remember, you asked him a question to find out, and he came back about a week later. The rate they never told us.

H.M.JR: And while they are right on the edge of Czechoslovakia, what rate are they going to use there?

MR. WHITE: Their answer to that question to me was a perfectly blank answer, but it said, "Well, you know the Russian soldiers don't need any foreign money. We give them everything they need and they don't need any money." So he said, "We are not very interested in that." We asked them what about the marks. They thought that would be a different story.

H.M.JR: Very interesting.

MR. WHITE: Now, the French situation is as follows: Monet brought Mendes-France up to see me at my house last night, because he wanted to know how to clear some ground, because he felt he wouldn't have time enough with you. He wanted to clear some of the ground and get some of the facts.

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Now, this is what their view is - what he wants: They are very worried that the two-cent rate, which is the same rate which the President gave in North Africa, and which is the rate which practically the whole Committee wants to apply in Metropolitan France, they are very much worried that that rate is too high. They are afraid they can't keep it.

Then, I think I told you, I had a long number of discussions previously to that. It is my view that they can't keep it, either, but they don't want to go in for a lower rate for political and psychological reasons. It will be bad psychologically, because they feel that the people in France will say, "Ah, the franc is on the skids again. You are going to make it less than two cents, and it is going to be still less, and we are going through the same process that Germany went through." Politically, they will be very unpopular with the lower rate.

On both accounts, they want to go in with the two-cent rate; that is the same rate which prevails in North Africa; and then sometime later, make an adjustment - some adjustment - in the light of the prevailing circumstances.

They are placing very strong emphasis, and he will repeat that here, on the fact that they can make that adjustment later without difficulty if there is an International Stabilization Fund, because then it will become part of a large agreement, and the French people won't feel it is a sign of weakness, but rather a sign of adjustment to a new circumstance.

So they are pressing, and are hopeful that there will be an International Stabilization Fund in operation before the end of the year, which will enable them to make the adjustment which they feel is absolutely essential.

Now, he has also added this one thing, which I think is very reasonable and very decent of them, which the

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other countries are not ready to do. They know that that rate is going to be lower. Now, if we get the francs which we need for our soldiers now, at the high rate, and then later on the rate gets lower, it would seem as though we are not getting a fair deal, or at least they would get the better of the deal. So this came entirely on his own, and no mention on my part. He said, "What we propose to do" - Mendes-France stated this definitely - "...is to adjust the rates sometime later, whenever the adjustment takes place for the costs, not on the basis of what prevailed before, but on the basis of what is reasonable, which may be much lower, even though you must have the francs now at a higher rate." He is the only one that has said that.

H.M.JR: Say it again, will you?

MR. WHITE: You see, if we were to buy the francs now in the same way that the Dutch want us to buy the guilders, it would be at the present rate of exchange, which is two cents a franc. Actually, they are not worth it. Actually, at a later period, both the guilder and the franc is going to be lower. But by that time we will have bought all we had to buy for our soldiers, and will have paid this high price, which is far above their actual worth.

Now, Mendes-France, knowing that, is not asking us to pay, in the final adjustment, the present rate. What he says is--

H.M.JR: You had better get that in writing.

MR. WHITE: He will. You ask him for that. He is going to tell you this, and I think that is important, and I think you ought to get it in writing. I have told him that was important, and among the things - he went over a list of the things as to what was important enough to talk to you about, and that is one of the several which he will explain.

Is it clear what he has in mind with respect to that?

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H.M.JR: Yes, that is good.

MR. WHITE: There is another part of that.

H.M.JR: I am scared to interrupt you, because you go right ahead, anyway.

MR. WHITE: Oh, well, I didn't know you interrupted me.

Another matter that they are interested in is the question as to whether or not they will get any dollar credits if they need it prior to the adjustment.

In other words, we are using this French currency; the assumption is there is not going to be any adjustment, and we are not going to settle the balance until sometime in the future. They have already agreed to pay for the imports of civilian goods in cash - in dollars. They have, as you know, two billion dollars.

MR. LUXFORD: Over here?

MR. WHITE: No. Mendes-France is very much concerned that they can't afford to spend, at the most, half of that, because they will have no backing at all for their monetary system, and that is an important item.

So he doesn't know how rapidly the rest of the money will go, and he is wondering - he is not certain whether he is going to raise this, because he is not clear in his own mind.

H.M.JR: He made a good impression on you, didn't he?

MR. WHITE: He is sincere; he has a rather simple mind, you know, compared to Monet. Monet gives you the impression of being very shrewd - one of the fellows you want to nail down everything while he is around. But this other fellow did not give me that impression.

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H.M.JR: Any relation to Anatole France?

MR. WHITE: I didn't find out; I didn't want to ask him then.

He is a young fellow who spent the first couple of years of the war on a bomber. He was a flier. He went over Germany and France many times on bombing missions. He was either bombardier or tail gunner, I don't know which.

H.M.JR: How long has he been out of France?

MR. WHITE: Four years. He was in England.

H.M.JR: He has been out four years?

MR. WHITE: I think he went out right at the start.

H.M.JR: I thought he just came out.

MR. WHITE: I asked Monet about anyone out recently. They couldn't think of anybody.

This fellow France suggested once, "Well, we have plenty of people in Algiers who have just come out; why don't we get somebody over right away to talk with the Secretary?"

H.M.JR: Oh.

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MR. WHITE: They have plenty of people there, but apparently there is no one here who has been there recently. Monnet mentioned this same chap whom I had talked to and said he had been out eight months. France says that is too long ago.

So this fellow seems like a simple, able chap. I would judge he is in the middle thirties.

H.M.JR: Somebody said thirty-five.

MR. WHITE: Somewhere around there.

H.M.JR: But he has come up through the school of the French Treasury, hasn't he?

MR. WHITE: I think he has been in the French Treasury at some time in the past. I don't think he had a very high office, but I don't know. He seemed able and straightforward. He speaks English pretty well, better than--

H.M.JR: What am I going to do about entertaining him?

MR. WHITE: I didn't find out how long he was going to be here, but I think he is going to be here at least a couple of weeks. That will give you time to do anything you want.

H.M.JR: Is he here with his wife?

MR. WHITE: His wife is in New York. He hadn't seen his wife and children for four years. They were in New York. I don't think he brought them down here. Monnet suggested that they wanted to have a dinner in his honor and invite you some evening that was satisfactory to you. I just shrugged my shoulders, because I didn't know. But I think that if he is going to be here next week, as I suspect he will, that will give you time.

They are also interested--particularly interested--in knowing whether they can look for assistance from the United States in getting them going. They are always interested in that. Their position, as they expressed it, is that the opportunity that France has of assuming the leadership in Europe and not being forced to do business too closely or depend entirely upon England, depends in part on whether

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they can get some support here. I don't mean to say giving business to England, but it is a question of their feeling that England cannot help them enough, anyhow. She is too weak herself. It is important that they have a successful democracy, and they cannot have that without either support for their monetary system or some additional funds.

Now, whether he will mention that or not, I don't know.

H.M.JR: I interrupted you. They want an advance on this currency?

MR. WHITE: Not yet, but if the occasion comes in which they feel that the money they are spending is leaving them too rapidly, they would like to know whether it would be possible to get something on account.

MR. LUXFORD: The more I think of that, the more I think they made a bad deal when they didn't allow Lend-Lease to cover civilian supplies in this period. That is where State made the real mistake.

MR. WHITE: They took the position that as long as they have money they want to pay for it.

MR. LUXFORD: But every one of these countries is going to run short of dollars because they have to pay dollars for civilian supplies. That could have been lend-leased.

H.M.JR: Why did State do it that way?

MR. LUXFORD: I don't know, myself.

MR. WHITE: Wait a minute. We took the position; it wasn't State. We took the position as long as they have more money than England and we couldn't treat them better than England, if they had money they ought to pay it. I still think that is true. The time to assist them is when their money is running low.

MR. LUXFORD: I agree with that, but if you say now we have to work out some other way to pay them--

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H.M.JR: You and I went further than that.

MR. WHITE: Yes, I think so.

H.M.JR: We said it would be easier for the President around the peace table if they were broke. I don't know whether it was your language or mine. That is before you met Mendes-France.

MR. WHITE: I still feel that they ought to have a lot less money.

H.M.JR: That is what you thought.

MR. WHITE: I still think so.

MR. LUXFORD: I only had in mind why we have to work out a system now to give them some dollars.

MR. WHITE: We don't now.

H.M.JR: Is Luxford going to stay with us? I think it would be nice.

MR. WHITE: It normally would have been Taylor, but Taylor is gone.

H.M.JR: I would like for you to step out and ask if it is all right to have Mrs. Dickinson here.

Now, who is taking Taylor's place on the McCloy Committee as your alternate?

MR. WHITE: Well, Glasser will when he comes back. In the meantime, if the big committee meets, I will go myself with one of the boys, one of the lawyers. Glasser will be back in a few weeks.

H.M.JR: Will you tell that to McCloy? He was quite bothered as to who--

MR. WHITE: Yes, I will when I see them, but if there is a meeting of the larger committee, I will go myself.

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H.M.JR: We don't know, though, whether it has finally been cleared as to recognition of this committee, but that doesn't have to bother us. The French committees are recognized to do business with?

MR. WHITE: Yes, everybody is doing business with them. State is doing business with them. We actually aren't giving them anything yet. The only business we are doing-- what he is coming here for mainly, and his principal business is to get you to agree on the two-cent rate. That is what is holding the Army up. We have to hear definitely from them. The minute he tells you that and if you accept--

H.M.JR: Accept what?

MR. WHITE: The two-cent rate for metropolitan rate; that is the one rate that remains unsettled.

H.M.JR: Why should we not?

MR. WHITE: Naturally we should. I expected that we probably would agree to that, but that is going to be their recommendation.

H.M.JR: I think I will listen and then talk it over with you boys; then I will tell him to come back tomorrow morning. You can't expect anything faster than that.

MR. WHITE: That is right.

May 8, 1944
11:00 a.m.

CONFERENCE WITH FRENCH AMBASSADORS

Present: Mr. White
Mr. Luxford
Mr. Monnet
Mr. Mendes-France

H.M.JR: Won't you gentlemen sit down, please?

How did you find your family?

MR. MENDES-FRANCE: Very fine, thank you very much.

H.M.JR: How many children do you have?

MR. MENDES-FRANCE: Two.

H.M.JR: How old are they?

MR. MENDES-FRANCE: Nine and ten.

H.M.JR: And how many years since you have seen them?

MR. MENDES-FRANCE: Two years.

H.M.JR: That is too long.

MR. MENDES-FRANCE: That is right. They are quite American boys.

H.M.JR: Both boys? Where did they go to school?

MR. MENDES-FRANCE: In New York. They forget the French; they only speak English.

H.M.JR: Really?

Last night we were at Madame T. V. Soong's. She has three girls. They have been here three years. They have

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American slang; no foreign accent of any kind. She is very rapidly forgetting Chinese.

MR. MONNET: That is the case with our little girl. She speaks French with a terrible accent.

H.M.JR: Well, gentlemen, I am at your service.

MR. MENDES-FRANCE: I am very glad to come to see you and to speak of such affairs, but first you must excuse me for my English; it is so bad.

H.M.JR: You must excuse me, because I don't speak any French.

MR. MENDES-FRANCE: Maybe it would be good for you to understand what I am speaking.

H.M.JR: I understand you very well.

MR. MENDES-FRANCE: In these last months we were speaking of some questions, and I assume it would be a good thing if I come here to speak with you and with him, because we have a feeling that the moment came now and we thought it was very important that you know exactly what we mean and what we think and what we hope.

And I understand with the information that Mr. Monnet gave us that finally--I think we have the same aim and the same motives to realize. What we want to establish in France is, I think, what you want to establish in the world after the war. And we wanted to do it in the best cooperation with you, and we understand we cannot do it without you. We were very concerned in the last times with the exchange rate question.

The aim we have--what we want to realize is, of course, to get a sort of equilibrium in the money, which will be reached in other countries, and the exchange rate will be exactly the rate that will realize this equilibrium. But we feel it is quite difficult to know immediately which will be this leaven, inside or outside. And we think maybe it would be a good thing to realize this exchange rate, not

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immediately, but in the time we have more information than we have now. We have a plan for cleaning up our monetary situation in France, and we hope very much about these policies we will try. It will mean for the French people courage and hard work and, of course, privation. We think it will be better realized if the French people understand exactly that we will and we can save our money.

Our worst enemy in this thing is the lack of confidence which exists in Europe about monies, and principally in France about all money. The French people think that we have in the franc the same as what happened after the last war with the mark. They think the franc cannot be saved. And this lack of confidence is the most important enemy we have to fight at the beginning.

H.M.JR: May I interrupt you? I should know, but I don't, what the internal and external debt was prior to September '39.

MR. MENDES-FRANCE: In September of '39 the external debt was negligible. It is a very little thing. Of course, after the war it will be different. But before the war it wasn't.

H.M.JR: May I interrupt again? External--that is Government. Did you have many private debts outside, dollar bonds, and so forth?

MR. MENDES-FRANCE: Not as much as we had credits. We had more external credits and external debts before the war.

MR. MONNET: Yet not much external debt.

MR. MENDES-FRANCE: This is a big question for us.

H.M.JR: That will not be a big question after the war. Your external debt both public and private--that will not be a big post-war question?

MR. MENDES-FRANCE: I hope so, but I think it is more than it was before the war.

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H.M.JR: As of September '39.

MR. MONNET: We will have after this war, or we will create a debt, but as of '39, no.

H.M.JR: I mean as of '39.

Now, what about your internal debt as of '39.

MR. MENDES-FRANCE: That was about five hundred billion francs before the war. I think it is now about twelve hundred billion. And when we make calculations, we make about fifteen hundred as the internal debt, but it is a big change. It is three times more than before the war. But this new debt is not so heavy as you can first see, because it was done at a very low interest rate. The internal conditions prevailing now in France are that the Vichy Government can find money at about one and a half percent, two percent, or two and a quarter percent.

H.M.JR: May I interrupt you? Is it your thought that you will recognize the Vichy?

MR. MENDES-FRANCE: I think we are obliged--the internal debt--I think we can't do otherwise, because what is this internal debt? Most people in France have a lot of notes, but you can't do anything with the notes. You can't buy anything. They have notes or money in banks, and they are two kinds: All these people who have nothing to do with their money--and I think it is more important--they are banks who have deposits, and these deposits they buy Treasury bonds with. If we wash out the Treasury bonds, all the banking system will receive a shock.

H.M.JR: What I would like--there must be different stages. I mean, what was the internal Government debt as of September, '39?

MR. WHITE: We have it.

H.M.JR: I mean by stages.

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MR. WHITE: You want to see the development?

H.M.JR: Yes, and I would be interested, because you are going to recognize the debt credit by the Vichy Government.

MR. MENDES-FRANCE: I think we can't do otherwise. We studied a few months ago the question to say on the radio to the people, "Don't take these bonds; we will not recognize them after the war."

H.M.JR: You did do that?

MR. MENDES-FRANCE: No, we studied it. Finally we decided we couldn't do it because now we have to choose when we arrive in France whether we will find more notes in circulation or more Treasury bonds. We prefer to find more Treasury bonds than more notes.

MR. WHITE: In other words, the French Government would have been forced to meet their financial needs both to Germany and themselves by printing more currency instead of borrowing from the banks, so by stopping it from the banks they merely would have had more currency. But I think there is another point he said first that probably didn't register because he went over it very quickly. They do have in mind, when he said cleaning up the monetary system, freezing all the bank accounts and permitting only withdrawals until until they are examined, the large amount, to see whether they are collaborationists or whether they have them under conditions which they would want to check.

H.M.JR: They shoot the collaborationists and seize their money; isn't that what they do?

MR. MONNET: Yes.

MR. WHITE: That will settle a lot of debts.

MR. MENDES-FRANCE: We started to do it in Corsica; we obliged all the people to bring their notes, and each man received only five thousand franc notes. We find it is too

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much. We think in France it will be, say, four thousand or less. But it doesn't matter.

MR. WHITE: Turn in all their money.

H.M.JR: You mean five thousand was the maximum, or they only took up to five thousand?

MR. MENDES-FRANCE: They are obliged to give all the notes they have, and they only receive five thousand.

H.M.JR: On the average?

MR. MENDES-FRANCE: Not on the average. Each man receives five thousand francs.

MR. MONNET: To begin with the beginning, we go in France--

H.M.JR: What did they do in Corisca?

MR. MONNET: The moment we went into Corsica, all the notes that anybody had had to be turned in because it was declared that they couldn't be used any more.

Now, this man had ten thousand francs. Five thousand francs were put into a bank account that was frozen, and he received in new notes five thousand francs. In other words, every man had to turn in the total of the notes; he received part in an account in the bank which was blocked, and five thousand in new notes.

H.M.JR: In other words, irrespective of whether he had fifty thousand, he would only get five thousand back and forty-five thousand would be frozen.

MR. MONNET: That is right.

MR. MENDES-FRANCE: Then we make an investigation of the origin of this.

MR. WHITE: An investigation of how he got the money?

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MR. MONNET: Go over the accounts and investigate?

MR. MENDES-FRANCE: Yes, an investigation. Now in Corsica we made very drastic two things: First, requisition and confiscation of all the money which has a dishonest origin. And secondly, taxation--drastic taxation for the people who are rich; but when it is an honest origin, first people who are mortgaged have to pay taxation. For those on which the origin was illicit, it is requisitioned, and it is taken.

MR. WHITE: They put into effect in Corsica what the Treasury advised them to do in Tunis.

H.M. JR: While I was in Algiers, I received a delegation of Jewish people, and among them was a very prominent owner of cinema houses. You most likely know who he is.

MR. MENDES-FRANCE: Yes.

H.M. JR: I am interested in what happened. He had sold out his cinema theaters to somebody--I forget who. Let's say he got thirty or forty million francs, and he wanted to buy them back at the same price he sold them for, but the man said that now they were worth seventy-five million francs. As I got it, all the people while I was there were waiting; nothing was happening. Now, in that particular case, do you know what finally happened?

MR. MENDES-FRANCE: I know what you mean. It is not settled today, because there is a resistance of the local situation which, of course, is not exactly the same as it was in occupied territories. For these now we have an ordinance which is not settled by the Comite', but will be settled quite soon, I think. But what I mean is another thing which is connected with this one, but not exactly the same, and which is to take requisition of all the increasing of money, of fortune, by people who vote on such things, because they profit on the situation. It is done for Corsica now, and the text we made at Corsica-- there are two ordinances; we made them with the idea of the same text we had taken in France.

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H.M.JR: Could we be furnished with copies of that?

MR. MENDES-FRANCE: Yes. It is quite new.

MR. WHITE: We know they were contemplating that because it was in the discussion.

H.M.JR: Could you get those, because what the people did--and I appreciate that everybody has to learn, including ourselves, but both in Algiers and Tunis, the Banque du Maroc-- in all of that our experience wasn't a very happy one, and when I visited there with Couve de Murville and all that--

MR. MENDES-FRANCE: In the beginning, things were not as clear as they are now.

H.M.JR: If you don't mind my saying so, from our standpoint, and we think from yours, it is a better job in Corsica.

MR. MENDES-FRANCE: We have these two things here.

H.M.JR: I want to know about them if you have them.

MR. MENDES-FRANCE: Yes, I have them in Washington.

H.M.JR: Do you have the original?

MR. MENDES-FRANCE: Yes, it is in the French text, but we can translate it.

H.M.JR: We can have both?

MR. MENDES-FRANCE: Yes, but I hold them here because it is new and I thought it wasn't here. All the people have to bring their notes, and these notes will be frozen. These frozen notes will be subjected to first investigation, and second, this confiscation.

H.M.JR: Could it be set down in a condensed form, Harry?

MR. WHITE: Yes. It will be quite a difficult job to do that in France, and Corsica has a small population, but in France instead of freezing that, they expected to make the

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large notes--notes of large denominations--not valid until investigation has been made, and they expect to freeze the bank accounts.

H.M.JR: All bank accounts will be frozen by the Army when they first go in?

MR. WHITE: Yes, in their territory.

H.M.JR: Certainly in occupied France.

MR. WHITE: Yes, that is what they expect to do, but very quickly release--

MR. MONNET: That is why we are so anxious to have the famous notes--I mean the notes which you are printing here for us. Without these notes, what he is talking about is impossible.

H.M.JR: Have you seen the two-franc pieces?

MR. MENDES-FRANCE: No.

MR. MONNET: I forgot to show them to you.

H.M.JR: I stole a couple! (Shows them to Mr. Mendes-France.)

MR. MENDES-FRANCE: That is very nice. Is it good?

H.M.JR: It looks all right. I stole a couple.

MR. MONNET: That is a very nice job.

H.M.JR: Don't you think it is nice?

MR. MENDES-FRANCE: It is very good. It is exactly the size we have in France.

H.M.JR: Is that made from discharge shells the way the other is?

MR. WHITE: I don't know. I think it is, because that is what they have plenty of.

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H.M.JR: Our own pennies now--we take the outside of a cartridge and melt it down and make it into money. I think that is what it is; that is why it is so pretty.

MR. MENDES-FRANCE: It is interesting.

MR. MONNET: It is quite a story.

H.M.JR: I think that is correct. It is made from discharged shells. They save them and melt them down.

MR. MONNET: Do they bring them back from the battlefield? That is quite an interesting point.

H.M.JR: We will find out. I am sorry to interrupt you so much.

MR. MENDES-FRANCE: You are right; it is better to.

H.M.JR: What got me started was the question of post-war France. You were going to lead up to the rate, I take it.

MR. MENDES-FRANCE: Yes, it was about the rate. I think I was saying what we have to do after the war is over. Of course, as you know, prices in France are quite low, but salaries--

MR. MONNET: The official prices--

MR. MENDES-FRANCE: The black market, which is very important, but salaries are lower. Salaries are about one hundred and thirty or one hundred and forty in comparison with September '39, but prices--official prices are about twenty-seven or twenty-eight. That is to say, the salaries today have buying power half of what they had in '39.

MR. MONNET: Unofficial prices.

MR. MENDES-FRANCE: And it is not possible for anyone to live only with official things you buy. All the people--

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some of them have much, some of them not so much, but all the people buy things in the black market. They can't live without them. Then you understand how low the purchasing power of the salaries is. We have to increase the salaries very much, but we think it should be done quite slowly. At the beginning, say, thirty or forty percent, and then as the food comes, the production is better, the imports come, then we have to give more to the worker so it is possible for him to buy with the salaries all the things which are available and which are on their ration cards. The prices, we think, have to be increased, too, but not so much. When the market is full, and when the products and food are there, I don't think it is necessary to bring the official prices very high in comparison with the actual official prices.

When we calculate all these things, and when we think an equilibrium will come a few months after the liberation, and when we can create this equilibrium equal to the other countries--as fast as we can know what will happen--we understand we have to make quite an important devaluation of the franc. The only question is, is it necessary to do it immediately without knowing exactly how far it is necessary to go, or is it better to do it in the moment when we have the information about prices, salaries, inside and outside.

What will be difficult for us is the lack of confidence in France about money. If we come in France, and if we say, for example, it is three hundred for a pound, people who have the experience of before the war that each new devaluation--

H.M.JR: Like myself, I went all through that with you.

MR. MENDES-FRANCE: Yes, I know. You knew this thing before the war. And, of course, you know all these difficulties we had, and I know you helped us as far as you could. But always the internal situation was bad, and always the lack of confidence was the same situation for us.

H.M.JR: Is Bonnet alive or dead?

MR. MENDES-FRANCE: He is alive, unfortunately.

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H.M.JR: Where is he?

MR. MENDES-FRANCE: I think he is in France, but we heard a few weeks ago he was in Switzerland; it was not confirmed.

H.M.JR: Is Madame Bonnet alive, too?

MR. MENDES-FRANCE: Unfortunately, yes.

H.M.JR: She was a smart piece--too smart!

MR. MENDES-FRANCE: Then this experience before the war will lead the French people to say it was one hundred and seventy-six for a pound; then it was two hundred; now it is three hundred. Maybe in a few weeks it will be three hundred and fifty or four hundred.

It is a bad thing for the country if we start with the devaluation. I think on the contrary if we arrive and if we say in the Empire it is two hundred for the pound, that is fifty for the dollar, and we think it is no reason to change it immediately before we know what will happen.

If the French people see that it is very surprising for him that we don't do a very large devaluation at the beginning, and if he sees we do it with the approval of the Allies, it is a very big reason for them to have confidence. If they think that the French Government, with the help of the Allies, will try to save the money and that it is possible to save it, then it will be a very good thing for the French confidence in the money. And it will be a help for the Government to avoid excess in prices and salaries, because we will be asked very big increases for farm prices, corn, and so forth, and for salaries, and so forth.

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I think we can resist it better and give these modifications quite slowly if the French people understand that it is to organize monetary systems in which the money will be saved.

Then after a few months, if they have the feeling it is possible to realize it, and if a good equilibrium is realized inside, and if we come, say, and make a devaluation based on the prices which prevail now and which is based on an international arrangement, if, for example the plan you have now for international stabilization is realized, in this time I think the French people will understand it very well, and the devaluation which will come then, instead of being a reason for lack of confidence in between, that is to say, in the early times.

Of course, we will have an exchange rate which is not an actual exchange rate, which is not a technical exchange rate, but which is more in my opinion a political manifestation, and I think in such a case we can have in France a goodly action, and it will help to make a good internal monetary policy.

H.M.JR: Excuse me, what rate do you have in mind?

MR. MENDES-FRANCE: For the first or last one?

H.M.JR: When you start.

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MR. MENDES-FRANCE: To start, I think there is no reason to change what we have. I give you an example: When we came in Corsica, nobody asked, "What are the prices? What are the salaries in Corsica?" We had two hundred in North Africa. It was not a very good one, I thought. But so it was. Then we kept it. What is the difference between Corsica and a little foothold you have on the Continent? I don't know how the invasion will be. Maybe all of France will be invaded in two or three months. Maybe you have a little foothold. It can be. Maybe half of France is liberated and the other half is occupied. Do you think it is a good thing to give an exchange rate immediately, without knowing for which territory it will be?

MR. WHITE: You have to give a rate.

MR. MENDES-FRANCE: You have to have a rate, but--

H.M.JR: May I interrupt? Whatever happened about some of these other places that General DeGaulle was going to bring into line? Weren't there some other places?

MR. WHITE: They have all been brought into line, now - all except Syria, which is two hundred.

H.M.JR: What about that Island down in the South Pacific?

MR. LUXFORD: Madagascar?

MR. WHITE: It is two hundred.

MR. MENDES-FRANCE: Yes, we united it.

H.M.JR: Everywhere now?

MR. MENDES-FRANCE: Yes, every place it is two hundred. And I think if we could know exactly what happens after the invasion, of course, it would be easier. But now we don't know, if the invasion will be a very big success or a slow success. We don't know, after the liberation of

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France if Germany will be collapsed and finished, or if Germany will continue the war.

H.M.JR: Again, I am sorry to interrupt you--

MR. MENDES-FRANCE: No, please, please.

H.M.JR: One thing Mr. White told me he had in the conversation with you last night, as I understand it, one of the things you said was that if we agreed on the two hundred rate, that you suggested that later on in a period of adjustment, that if that proved not to be right, you would be glad to make the final adjustment with us on that.

MR. MENDES-FRANCE: Yes, so I said.

H.M.JR: I think that is very important, and that will influence me, and I think that if you didn't mind, I would like to get that formally in writing.

MR. MENDES-FRANCE: Yes.

H.M.JR: That would influence me largely. I think that if I could get that in writing - would that be possible?

MR. MENDES-FRANCE: Yes, yes; it is possible. It is no difficulty; I tell you why, because the first exchange rate - this two hundred exchange rate - for me it is not an exchange rate; it is a political manifestation.

H.M.JR: Well, if I could get that in writing, that would influence me in making up my mind, do you see?

MR. MENDES-FRANCE: Yes, we can write it.

H.M.JR: I think we have heard most of the arguments and I would like to think this over for twenty-four hours. I would like to explain what my plans are - I had expected you last week.

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MR. MENDES-FRANCE: Yes. Excuse me.

H.M.JR: I am planning to leave here Wednesday noon and not to be back until next Tuesday, but I will be where they can get me. But I can meet with you Tuesday morning, and I can meet with you Wednesday morning. We can settle this rate thing before I go away. We will settle it.

So, if there are any other things which ought to be settled in the next day or two, if you would mention them now, do you see? Then, if it is convenient for you gentlemen, we would work each morning before I go. There is no reason why the rate cannot be settled between now and noon, Wednesday.

I don't know what else there is which is pressing, and I don't know how long you are planning to stay.

MR. MENDES-FRANCE: Of course, it depends on this settlement, but my idea, of course, is not to stay here too long, if it is possible to settle it before. But other questions that we wanted to speak to you about are these notes which we were speaking about.

MR. MONNET: The printing.

MR. WHITE: The printing of the additional notes - the same kind of notes that are being printed. That is in the mill. But they are interested in getting substantial amounts sent to North Africa, not in this control, but control of the Army, so if a decision is made to turn it over to them for the pay of their troops, which they will need, and other purposes, that it will be easily available in North Africa instead of in Washington or London.

H.M.JR: Well, couldn't you maybe explore that with the Minister this afternoon? Have you got any conferences?

MR. WHITE: Well, they had written a letter on it and we are preparing a draft. I think that is something we

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will probably have to take up with the Army. We just turn the money over to the Allied authorities; whether the Allied authorities want to ship it there is a matter which I think we will have to take up, also, with the Army.

H.M.JR: With McCloy?

MR. WHITE: Yes.

H.M.JR: Is it waiting on me?

MR. WHITE: This is something they raised at the end of last week.

MR. MONNET: But we need your support.

H.M.JR: Well, this is the first time I have heard of it. I want to do everything - I mean, I don't want anybody to wait on me.

MR. MONNET: No, we are not waiting.

MR. WHITE: Just got the letter Friday.

H.M.JR: Well, there is that question; between now and tomorrow morning we can say whether we will give them our support or not.

MR. WHITE: That is right.

H.M.JR: We will have an answer for you on that tomorrow morning. I will try to have an answer for you tomorrow morning on the franc rate. I will try to have one for you, if possible.

Now, what else?

MR. MENDES-FRANCE: Another thing about these notes - I explained to you before the idea we have to make a change in notes which are in circulation in France. The people have to give their notes and receive other notes.

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Of course, it is necessary that the new note is not the same as the old one. If, instead of taking this - of course, there will be terrible speculation, and some people will keep their old notes. Then you have printed forty or fifty billion notes for military purposes of the first times.

These notes are now printed, and as I understand, these notes are now in England and will be used at a given time. When we try to clean up the monetary situation, we find two kinds of notes in circulation; in the first place, these Banque de France notes, and second, these notes you have given.

H.M.JR: The military.

MR. MENDES-FRANCE: Our new notes must be different. Then I wanted to ask you to put on these notes which are now in printing, some modification that the people cannot mix them with the military ones.

H.M.JR: You mean the ones that will be the final ones.

MR. MONNET: Now there is no printing the same notes as the first forty billion. What he is now asking is if it is possible to make some change to this text of the note which is now in the course of being printed.

H.M.JR: Text or color?

MR. MONNET: Something.

MR. WHITE: I had in mind an over-printing; I suppose "The French Republic," or something like that. (Laughter)

H.M.JR: I don't think we want to start that, do we, Mr. Monnet?

MR. MONNET: I would like it very much if we could finish it.

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H.M.JR: Right. We tried hard enough.

MR. MONNET: I told him about it.

MR. WHITE: I think what they have in mind is not quite the same thing.

H.M.JR: He knows about this discussion which Jack McCloy and I had. We got by the "Liberté, Fraternité, Egalité."

MR. WHITE: He is suggesting something that will be kept for later use. I thought - you are printing these notes in England, are you not? Aren't you printing some new notes in England?

MR. MENDES-FRANCE: No, I think we can ask them to do it, but at this time, we have not the arrangements made.

MR. MONNET: In any case, they can't print enough. The question is very simple. The only way by which he can get his note is to have them printed in this country. They are in the course of being printed, but they are the same as the original batch. The question is, what change could be made in this issue so that not only the Bank of France notes, but also the military notes could not be exchanged with this. That is the point.

MR. WHITE: That is a large question.

H.M.JR: That they couldn't answer by tomorrow. I have got to leave something I can't answer so you can have a little time to your family. If I answer everything too quickly, you have to have some excuse.

MR. MENDES-FRANCE: So I have.

MR. MONNET: We could try to produce that in writing.

MR. MENDES-FRANCE: Only I wanted to say, to finish this thing - I wanted to ask you, on these notes, two

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things: First of all, to put something which is a distinguishing mark; and secondly, I want to ask you another thing, to take out something which is on this one, because--

MR. WHITE: Your "Liberte, Egalite, Fraternite."

MR. MONNET: He means the counterfeiters.

H.M.JR: They can print something on the notes, but what they can't do is to take off. Then I wanted to ask you, first of all--

MR. WHITE: It is the same problem; not only putting something on, but also taking something out.

H.M.JR: They can take these notes and print right across them, "Victory," and call them the "Victory Notes."

MR. MONNET: That is right.

MR. WHITE: He also would like to take something out.

H.M.JR: There is a technical question, but if you printed right across the word--

MR. MENDES-FRANCE: Yes, "Victory," that is good, but counterfeiters can print it, too; but what the counterfeiters cannot do is to--

H.M.JR: That could be done. You could make them a different color, too, which the counterfeiter can't do. When you start tampering with those plates, then you have to make all new plates. But if you made it a different color - the color thing is very hard to counterfeit, you know.

MR. MENDES-FRANCE: Yes.

MR. WHITE: And mix different inks.

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H.M.JR: Just make a different color, and print the word; but if you start taking something out, it means all new plates. But that could be done. I don't know whether we are through printing what the Army thinks they need - is that done here in Washington?

MR. WHITE: Partly. Most of it is not.

H.M.JR: Now, what else is there?

MR. MENDES-FRANCE: Another question which is a very delicate one, is the purchasing power of the troops and our troops in France. As you know, when the troops are hired in France, at the beginning there is nothing to buy in the shops - and the few things which are available - of course, we hope they are reserved for the civilian purposes. Then we are very anxious about the situation which will appear - and is it not possible from the very beginning to have a temporary arrangement to avoid this competition between troops who have plenty of money and people who have very little?

H.M.JR: I don't think there will be any trouble, but you are going to see McCloy, aren't you?

MR. MONNET: Yes.

H.M.JR: I don't think there will be any trouble. An order can be issued that the troops don't buy any. It is true here in America. My son, when he was on maneuvers, could buy nothing from the local population. No soldiers, when they were on maneuvers in Tennessee, could buy anything from the local population. I mean, that was an order.

MR. MONNET: That would be something.

H.M.JR: If they do it here in the U.S., they certainly can do it there.

MR. MONNET: But you see, it goes further; restriction of purchases, but also a limitation of amount.

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H.V.JR: If you would take that up with McCloy, we would be very glad to back you up on that.

MR. MONNET: That is what we are asking you.

H.M.JR: I don't have to think that over. We hope when the soldiers land they will have no money in their pockets.

MR. MONNET: I don't know that you can go to that extent, but certainly they don't need any.

H.M.JR: I will be very glad to back you up. There should be no question that the Allied troops when they land should have orders not to buy any food or whatever - anything at the beginning - at least they shouldn't.

MR. WHITE: But not approach it from the point of view of not giving the soldiers money. The approach should be prohibitions on what the soldiers can spend. He had the idea that he could stop them from paying money.

H.M.JR: I think that they just would have to be told that they cannot buy any French - I remember an amusing story an American soldier told me about the occupation after the first war. In Germany they had orders that the American troops could not buy any food in the Rhineland. This morning, after they had been there about a week, at the officers' mess they all had fresh eggs. So the Colonel said, "Well, you know about the order." He was very cross. "You have been told not to buy it; where did you get these fresh eggs? The answer was, "It didn't say we couldn't rent the hens."

Had you heard that?

MR. MONNET: I hadn't heard that, but that is a very good story. That showed which way.

H.M.JR: It always will be so. Had you heard that story?

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MR. MENDEZ-FRANCE: No. That proves it is difficult to limit.

H.M.JR: So they rented the hens.

MR. MONNET: But you realize?

H.M.JR: It is very important, and I can assure you that we will do everything possible to back you. I don't think you will have any trouble with Mr. McCloy, but if you do--

MR. MONNET: We want to ask, not on the restriction of purchase, but restriction in the money given to the soldiers.

H.M.JR: As far as I am concerned, we feel they really oughtn't to have any money when they land.

MR. MENDES-FRANCE: What is important is that the French people see a contradiction on what happened when the Allies arrive and what happened when the Germans came. When the Germans came, they had plenty of money. They were ordered to buy things in shops and to send them to Germany.

H.M.JR: I know.

MR. MENDES-FRANCE: We must make the French people feel that it is contrary to what happened--

H.M.JR: I don't know when you are going to see Mr. McCloy, but--

MR. MONNET: Today or tomorrow.

H.M.JR: Now, have you something else?

MR. MENDES-FRANCE: No.

H.M.JR: I would like to continue again at eleven o'clock tomorrow, if that is agreeable. Is that all right?

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MR. MENDES-FRANCE: Yes.

H.M.JR: I have had such short notice. It seems silly to put it so far in advance, but I would like to have some of the people here in Washington meet you at a luncheon, do you see?

As I say, it so happens that I can't just explain now, but I have a very good reason for going. You will be here the 17th? That is a week from Wednesday.

MR. MENDES-FRANCE: That is all right.

H.M.JR: Mr. Monnet, too?

MR. MONNET: Yes.

H.M.JR: Would you put that down?

MR. MENDES-FRANCE: Yes, thank you very much. I think it will be exactly at the end of my stay.

H.M.JR: I am sorry, but I have certain things. I had planned it all. You didn't expect him?

MR. MONNET: Transportation from North Africa is awful.

H.M.JR: I had expected you last week, but you understand.

MR. MENDES-FRANCE: Yes.

H.M.JR: Tomorrow is Mr. Stettinius, just so you can see - today is Mr. Sulzberger of the New York Times. The arrangements I have made, and then Wednesday noon I won't be here and I couldn't change them.

MR. MENDES-FRANCE: I understand.

MR. MONNET: The travelling was in the hands of the Army, as you know.

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H.M.JR: I know, but normally I would have been ready, and would have dropped everything, but this way I am going to give you my business hours, although I can't give you my social hours.

MR. MENDES-FRANCE: I see.

MR. MONNET: Mr. France will want to have a general talk with you, not in detail, but a general talk about the Stabilization Fund, and Monetary Conference views.

MR. MENDES-FRANCE: Yes, we are very interested.

H.M.JR: Definitely, but I am not going to leave until I have what is, I think, tomorrow, the most important, the rate. Is that right?

MR. MENDES-FRANCE: Yes.

H.M.JR: We will try to be ready to talk to you by eleven tomorrow. Then this other matter, at that time you will bring a letter saying for the rate to be adjusted in the future.

MR. MONNET: That is a very important document.

H.M.JR: Could I have that by eleven tomorrow?

MR. MONNET: Yes, but we would like to know in just what form.

MR. WHITE: I should imagine it would be a letter from Mr. Mendes-France to the Secretary.

MR. MONNET: How would it be phrased?

MR. WHITE: I think we can work something out, if you would like a suggestion.

MR. MONNET: Yes, we would be glad to have it from you.

H.M.JR: Then I will look for you at eleven o'clock tomorrow.

Treasury Department
Division of Monetary Research

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Date May 8, 1944 19

To: Mr. White

From: Mr. Tomlinson

M. Pierre Mendes-France "Commissaire aux
Finances du Comite Francais de la Liberation
Nationale".

This may be translated "Commissioner of Finance
of the French Committee of National Liberation" or
"Commissar of Finance of the French Committee of
National Liberation". There is no exact translation.
"Commissioner" is usually used but he is really more
than a "Commissioner" as his office is comparable
to the Minister of Finance in Metropolitan France.
The French Committee has not accorded any of its
members the title of "Minister".

OFFICE OF
THE SECRETARY OF THE TREASURY

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Pierre Mendès France

Commissaire aux Finances.

OFFICE OF
THE SECRETARY OF THE TREASURY

Jean Monnet,

Commissaire en Mission,

*Comité Français de la
Libération Nationale -*

Dr. White thinks Secretary might
be interested in reading this.



May 8, 1944

MEMORANDUM FOR THE FILES

In connection with the letter to be sent to the Secretary of the Treasury by M. Mendez-France confirming that the Comité intends that there should be an equitable adjustment in the expenses of the United States in continental France in the light of the permanent rate of exchange established in France after liberation, the following points should be noted:

(1) The letter is worded in terms of the intention of the Comité, rather than in terms of an agreement with the Comité. This is due to the fact that this Government has not recognized the Comité as the Government of continental France and hence the authority of the Comité to bind any future Government of continental France is open to question. All that we can hope for is that the Government of continental France, ultimately recognized by this Government, will adopt the position of the Comité as a moral obligation.

(2) It is not intended that the letter in any way should represent an understanding between France and the United States, or between the Comité and the United States, as to the terms of any ultimate financial settlement between France and the United States or to indicate the nature or extent of any obligation on the part of the United States to reimburse France for expenses incurred in connection with U. S. participation in the liberation of France.

(3) It is specifically contemplated that the "equitable adjustment" for U. S. expenses in continental France prior to the establishment of a permanent rate, does not necessarily mean that the permanent rate will be automatically applied retroactively to all U. S. expenses between the date of invasion and the date upon which a permanent rate is ultimately established. Thus, the "adjustment" may very well reflect some rate (or rates)

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between the North African rate and the permanent rate, i.e. an adjustment that tends to compensate for changing conditions between the date of invasion and the establishment of a permanent rate.

(4) It is recognized that this arrangement makes no provision for passing on the rate "adjustment" to U. S. troops. Thus, we will be paying our troops at the rate of approximately fifty francs to the dollar for that portion of their pay they receive in local currency. At the same time we may actually settle for these franc expenditures at a substantially lower rate (e.g. seventy-five francs to the dollar). Whether or not this subsequent adjustment could or should be passed on to our troops is left entirely open for future consideration. In any event it is a matter exclusively of interest between the United States and the soldiers and of no concern to the French.

JDW
ABL

May 8, 1944
12:13 p.m.

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HMJr: Hello.

Operator: Gromyko.

HMJr: All right.

Ambassador
Gromyko: Hello.

HMJr: Yes, Mr. Ambassador.

G: Good morning, Mr. Secretary.

HMJr: How are

G: How are you today?

HMJr: Fine. After your good luncheon Saturday, I felt good all week-end.

G: Oh, I am very glad to hear this.

HMJr: Yeah.

G: I'm very glad. Mr. Secretary, I have just one question I would like to -- to ask you to explain it.

HMJr: Please.

G: Mr. Chechulin left already -- already Washington.

HMJr: Yes.

G: I am wondering -- I am seriously wondering whether he will be able to -- to come back by the proper time.

HMJr: Yes.

G: Please tell me, Mr. Secretary, whether the conference which was scheduled for May the 26th will be held in this -- will begin its work on this date or there is -- there is chance that it will be postponed.

HMJr: Well, Mr. Ambassador, I can't answer you because I don't know what the answer is.

G: I see.

HMJr: See?

G: Uh huh.

HMJr: And the minute I do know, I'll let you know, but right now, I don't know myself.

G: Because I am wondering -- I am thinking -- uh -- if this date is certain....

HMJr: Yeah.

G:I am ready to give -- to give a red light for Mr. Chechulin to proceed -- to come back from Great Falls, Montana.

HMJr: No.

G: But if there is -- there is chances that it will be postponed, I am not going to stop Mr. Chechulin.

HMJr: Well, it may be several days before I know the answer.

G: But certainly not today?

HMJr: Certainly not today.

G: Uh huh.

HMJr: I'm sorry, but I'm giving you the fact. I just don't know myself.

G: Uh huh. Well, but from my conversation with you, I think that you -- you are not fully sure -- you are not certain that it will be held on this date.

HMJr: I just don't know, Mr. Ambassador.

G: Don't know?

HMJr: I don't know.

G: All right. Thank you.

HMJr: Thank you.

G: Thank you. Good bye.

HMJr: Bye.

May 8, 1944
2:27 p.m.

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Operator: Go ahead.

HMJr: Hello.

Fred
Vinson: Henry?

HMJr: Yes, Fred.

V: This is Fred.

HMJr: How do you do?

V: How are you?

HMJr: Fine.

V: Have you seen the Boss?

HMJr: No.

V: I understand....

HMJr: Have you?

V: I haven't seen him, no, but I understood that he is in fine fettle.

HMJr: That's what they say.

V: Well, that's fine.

HMJr: No, I haven't seen him.

V: Did you -- were you able to contact Gamble?

HMJr: Yeah.

V: In regard to that.

HMJr: There's a letter coming over from his office this afternoon which ought to reach you this afternoon.

V: I see.

HMJr: On that subject. He had very positive notions.

V: That's all right.

HMJr: And it will be in your hands before you go home.

V: Well, that's fine. Whatever

HMJr: Sorry, the delay, but he only got back Saturday.

V: And he is stating your views?

HMJr: He is stating -- I'm going to sign the letter.

V: I see. Well, whatever you say about it, we'll do.

HMJr: Thank you so much.

V: All right, old man.

HMJr: Sorry there's been the delay.

V: All right, Henry.

HMJr: Thank you.

May 8, 1944

Dear Fred:

In our recent phone conversation you suggested a change in some fact material you are getting out in connection with your Economic Stabilization program. The statement that you offered as a substitution for point "4", "Buy and hold all the War Bonds you can afford....", instead of the line "Save. Pay off debts. Protect yourself and family against a rainy day with adequate life insurance and savings.", is much more compatible with our own guide material on War Bonds.

In all of our dealings with life insurance companies and savings banks the point that buying War Bonds was the first and most important place for the individual's funds in time of war, has been clearly understood. There has never been any serious question raised about this and in the main, their support of our program has been commendable.

I appreciate your interest in the question that was raised about this and your willingness to modify some of your own copy to the end that we are more consistent in our mutual undertakings. Thanking you, I am,

Sincerely yours,

(Signed) Henry

Mr. Fred Vinson, Director,
Economic Stabilization Board,
The White House.

TRG:ecb

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE May 6, 1944

TO: Secretary Morgenthau
 FROM: Ted R. Gamble

With reference to your conversation with Mr. Vinson please be advised that I am the fellow who has objection to OWI's new fact sheet on the Economic Stabilization program.

There is no question but that we have benefited by the work carried on by Economic Stabilization and I am sure, as I know they must be, that their program has materially benefited as a result of our efforts. The substitution suggested by Mr. Vinson, where they would use for point "4", "Buy and hold all the War Bonds you can afford....." instead of the line "Save. Pay off debts. Protect yourself and family against a rainy day with adequate life insurance and savings.", is certainly more compatible with our work. For your information there is a strong inference in the material prepared by OWI and Economic Stabilization that buying life insurance is as good as buying War Bonds. Personally, I don't think they ought to make any reference to life insurance at all. The substitution suggested by Mr. Vinson is not bad.

OWI got the life insurance people to spend some money on an Economic Stabilization advertising program and as a consequence they have been "pulling a few chestnuts out of the fire".

Because of the early policy set by yourself in this connection, we have been very successful in our dealings with both life insurance companies and savings banks in their handling of War Bond appeals. My objection was based on a reluctance to lose any ground on this front.

*alterna
 tive
 suggested
 to O.I.C.*

May 8, 1944
3:00 p.m.

CABARET TAX

Present: Mr. Blough
Mr. Surrey

H.M.JR: I read this memorandum of yours. (Hands Secretary Memorandum of May 8, 1944, attached)

It doesn't make a recommendation on the cabaret tax. I promised to let what's-his-name know.

MR. SURREY: The reason I wrote it that way was this: We had been requested by the Committee to make a report on the bill, and I presumed that we would let that report go through in the general fashion, and any recommendation we care to make would be given to them in that report which they asked for by Wednesday of this week.

H.M.JR: I tell you what I would suggest: I told him I would let him have something today. Supposing one of you find out if it is all right to have it by Wednesday.

MR. BLOUGH: Yes.

H.M.JR: Will you do that? Well, one of you do it, anyway, so Doughton won't say that I was to let him know today and didn't.

MR. SURREY: As you notice, that indicates we haven't enough information upon which to make a recommendation. That would be in our report, if that is all right.

H.M.JR: My inclination is that we should say it ought to run for at least a couple of months.

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MR. BLOUGH: We won't know a thing about it until, certainly, May 12, when the Bureau gets done with its spot check, and really not very much until after a month or two of operation.

As a matter of fact, since the spring is the time when this tends to decline, you probably wouldn't get a real accurate picture until considerably later; their reply being that in the meantime - "We are being driven out of business while the Treasury tries to get some information."

I doubt whether there is sentiment enough in the Committee to put this thing over.

H.M.JR: One of you contact Doughton.

Did you have a nice trip home?

MR. BLOUGH: Very, thank you.

H.M.JR: That is about all.

Is everything else all right?

MR. SURREY: Yes. We had a meeting this morning with the Senate Finance Committee - just a short meeting. The plan was generally explained by Stam. They seem disposed to move very rapidly on it.

MR. BLOUGH: Nothing came up to indicate substantial resistance.

H.M.JR: Good.

Thank you all.

MEMORANDUM

TO: Secretary Morgenthau

May 8, 1944

FROM: Mr. Surrey

SUBJECT: Cabaret Tax *ell*

I telephoned Chairman Doughton and stated that we expected to get our report to him on Wednesday. He said that was satisfactory and asked if I could give him a "hint" as to our position. I stated that since the tax had been in effect for a short period of time there was no accurate information available upon which to base any recommendation.

May 8, 1944
3:05 p.m.

DISPOSAL OF SURPLUS PROPERTY
CODE OF ETHICS

Present: Mr. Sullivan
Mr. Olrich
Mr. O'Connell
Mr. Hill
Mr. Lynch
Mr. C.S. Bell

H.M.JR: Do you fellows have something for me?

MR. O'CONNELL: Well, we have a very rough draft. We are finishing it up and it hasn't been retyped. But Mr. Olrich could read to you what we agreed upon. It is only one page long - very rough.

H.M.JR: Are you a lawyer, Charlie?

MR. BELL: No, sir.

H.M.JR: That makes three of us who aren't.

MR. O'CONNELL: Just three.

MR. OLRICH: We are in the minority.

(Reading from draft of Code of Ethics:) "Mr. Olrich suggested as a matter of general personnel policy for the selection of Divisional Managers: - Divisional Managers are the top group - "Divisional Managers acquainted with particular commodities may be selected from within the industry, which selection shall be referred to the Secretary for confirmation. No Divisional Manager who retains any connection with the company shall participate in any transaction involving that company. Any transaction in the commodity field of such person involving his company shall be submitted for approval of Mr. Olrich and the General Counsel. On any significant case, Mr. Olrich may refer same to the Secretary.

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"Wherever possible, Divisional Managers will be selected on a full-time, salary basis. Where this is not possible, he may be retained as Consultant by Mr. Olrich on a part-time and/or per diem basis."

H.M.JR: Is that the whole thing?

MR. OLRICH: Yes.

H.M.JR: Would you mind reading it again? There are a lot of ideas in a few words.

MR. OLRICH: All right. (Mr. Olrich re-reads first sentence from draft of Code of Ethics.)

H.M.JR: Why limit it to that top? Why limit it?

MR. O'CONNELL: I thought our rule would be at least as stringent and possibly more so with respect to people further down the line. There isn't any reason why these rules shouldn't be applicable to everyone.

H.M.JR: That would be the first question.

MR. OLRICH: We were trying to have the selection of as few people come to you as possible.

H.M.JR: I am going to come to that later. But I would like - Mr. Olrich, these rules apply to anybody who is coming out of business - coming into your group - if that is agreeable to you.

MR. OLRICH: That is right.

H.M.JR: Let me just tell you a little story to show you how embarrassing this can become for you or anybody in the room, including myself. In the first place, we have always had our own standard of ethics here; this isn't apropos, but for example, nobody who works for the Treasury can sell a story to any publication. That doesn't apply in the Government, generally, but it applies here. They can say, "Well, so-and-so does it." I say, "That doesn't make any difference; as long as you work for the Treasury, you can't sell a story. I wouldn't write a story for any publication

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over my signature. So, I mean, we have got different rules, and maybe that is one of the reasons you were willing to come to work for the Treasury.

But to show you how embarrassing this can be, I know of an incident - I think Mr. Sullivan told me - where a man who used to be a secretary for a trade organization - he happened to be a rubber man - he is here in another Section but comes over to see us in regard to taxation affecting the former industry that he was on leave of absence from. Now, it is just as bad, isn't it?

MR. OLRICH: Yes, sir.

H.M.JR: So I am not going to make it so difficult - although you, yourself, from what you told me - the case of this Penn man - you made it as difficult as for anybody. But I just thought, rather than having it in your head, and not too good in my head, I thought we ought to set it down on paper.

MR. OLRICH: Well, we discussed that, and ultimately, what reflects on me, reflects on you, so we want the whole Department to clear the original words we had in here - "No Divisional Manager or other person who retains any connection with a company, shall participate in any transaction involving that company."

H.M.JR: What is the matter with that?

MR. OLRICH: There is nothing the matter, except we were figuring how an employee could retain any connection with the company - where he might be a large stockholder - but if we put that "No Divisional Manager or other employee who retains any connection"--

H.M.JR: "...can do business with that company." That is all right. I will give you case after case. I am an old-timer here.

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Before Lend-Lease we were buying a lot of planes. Mr. Hanes, before he came in, laid down his list of securities. He was a large holder in Glenn Martin, as was his stockbrokerage firm which he used to be connected with but had resigned from. So I said, "Johnnie, I think you had better get rid of the Glenn Martin. We are buying a lot of planes, and it might hurt you."

He said, "All right. But I am also going to make every one of my associates sell." He went that far, and he did. He made the people that he formerly was associated with, sell. I think that was unnecessary, but I am citing it. He went so far as to make everybody he had been associated with in business, so they couldn't say that his former business associates had brought influence on him and on me to buy Glenn Martin planes for the Treasury.

So I think this, that if a man is connected with the Penn Company, and is going to help us, let's say, with agricultural equipment machinery, and let's say he severs his connection and goes on our pay roll, but he is still a stockholder - that is your point - I don't think that the Penn Company - the Penn Company, I would say, could not buy from Procurement while this man was a large stockholder working for us.

MR. OLRICH: Yes, because if he is a large stockholder, he is still working for the company.

H.M.JR: I don't think that is unreasonable.

MR. SULLIVAN: That is not the way it is here.

MR. O'CONNELL: I just wanted to be clear.

H.M.JR: No, I am thinking out loud - you men have been thinking about this and I haven't.

MR. OLRICH: "No Divisional Manager or other employee who retains any connection with a company, shall participate in any transaction involving that company. Any transaction in the commodity field of

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such person involving his company shall be submitted for approval of Mr. Olrich and the General Counsel."

H.M.JR: Wait a minute. Aren't we going to say his company can't? Why submit that?

MR. O'CONNELL: That is what I say. What we have been saying is not exactly what you have been suggesting. We discussed that, and the sort of situation we were envisaging was, Mr. Olrich wants to get a man to handle drugs, pharmaceuticals, or something of that sort; there are six companies, as I say, in the business. He finds that the best man that he can locate is with Parke Davis; so Parke Davis lets the man go to us, say, on a leave of absence basis, but we hire him - he is a full-time employee for us; and having gotten to that point, our solution for that situation was that Parke Davis Company could participate in connection with this purchasing surplus property, only ruling this man out of participating in the deal, and on the approval of Mr. Olrich and the General Counsel, but they would not be barred completely from participating.

H.M.JR: Now, let me just talk. I have from now until three-thirty - I can't go beyond that.

I read a story in the New York Times a couple of days ago, on the back page. This fellow who used to cover the Treasury and went with Time Magazine--

MR. SULLIVAN: John Crider.

H.M.JR: ...in which he said - I don't know whether he was quoting Charlie Wilson or not, but it certainly was a credit to Charlie Wilson - said when he came they placed a lot of orders for irons, that Charlie Wilson had given the order to Westinghouse, although General Electric was anxious to have the business and were equipped and ready.

MR. OLRICH: I can tell you of my own case, Mr. Secretary. We have issued instructions we will bid on

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no Lend-Lease goods, nor will we attempt to purchase any commodity--

H.M.JR: You told me you wouldn't buy any. I didn't ask you not to continue to sell to Procurement. Do you remember?

MR. OLRICH: Well, if you want us to bid on them, we will, but I have issued those instructions until I have an opportunity to clarify it. We have cut that.

H.M.JR: No, but do you remember?

MR. OLRICH: Yes, sir.

H.M.JR: You can think the thing over. I will have to think this over. I want this thing to sort of boil inside of me a little bit. But let's be thoroughly honest with the fellow who is coming from Parke Davis. Let me look at Joe O'Connell. Now, don't let's kid the fellow, because it is much better to say no to him first. To say no to Mr. Olrich - "Your company must discontinue bidding from Procurement for underwear" - the thing was discussed and I didn't think that was necessary, because he is selling us something. I wouldn't want him to buy used underwear back again, but I didn't see why it wasn't all right to sell.

But take the Parke Davis fellow - we are going to buy drugs, now--

MR. O'CONNELL: Sell drugs.

H.M.JR: Let's say we are going to buy, and a big order comes; if it were up to you (O'Connell) tomorrow, would you say that Parke Davis could be one of the six?

MR. O'CONNELL: I would probably lean over backwards, but I would say they could. If this fellow had nothing to do on the operation, and on quality and everything Parke Davis was as good as the others, I would not think that ought to disqualify them, if I kept their man from participating in the transaction.

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Now, ideally, you are right, I think.

H.M.JR: No, I said that in the case of Munsingwear that I didn't see why they couldn't continue, because the buying, I feel, is to be entirely separate from the selling, and Mr. Olrich isn't to have anything to do with it.

Now, I would say, offhand, that these drugs that we have got to sell, that Parke Davis could not bid on them as long as this man was an assistant to Mr. Olrich on the selling side; they couldn't buy any used drugs. I don't think there will be any question about that.

MR. SULLIVAN: Then you get into the situation where, in a small field, you don't have very many boys with the know-how. You are going to run into a great deal of reluctance on the part of anyone to furnish you a top-notch man, because automatically, that forfeits their right to participate in the business.

H.M.JR: I have heard all about this know-how business. Take Mr. Olrich's own case: He is perfectly willing to forego the buying of these second-hand goods, but I am not so sure that you are right and, anyway, I am not so sure that a good merchandising fellow can't sell some drugs to a group of drugstores. Take a drugstore today - it is a general merchandising store, anyway, isn't it - pretty near?

MR. OLRICH: Everything except drugs.

In this particular case there may be instances where the policy of the Unit may be to have them go back to the manufacturer for resale. That would preclude that manufacturer having his product go through the regular channels.

Now, there are places where manufacturers have arrangements with various companies limiting the sale of their product to specific stores. That might be in the drugstore field, and I am just giving you hypothetical cases.

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This would prevent that company from acquiring its own products and throwing them on the field. I don't know how serious it might be.

The man we have in this particularly narrow field is now a Major in the Army, who is acquiring these goods for the Army, and may soon be available. He is probably the best man in the field. He is from McKesson and Robbins. His name is Noh.

H.M.JR: That is why he has the know-how? (Laughter)

MR. OLRICH: Yes, but on this I think I would like to look it over. It isn't any serious bar.

H.M.JR: I think this is so important that nothing should be decided today.

MR. OLRICH: No, this was to get our thoughts together.

H.M.JR: The last thing in the world I want to do is to make it impossible, but I think it is much better to be a little stiff-backed and have a few less headaches. But let's think the thing over, and I don't want to put anything in here - for instance, like - "...refer to the General Counsel," knowing in advance he is going to turn it down.

MR. OLRICH: No, that wouldn't be smart.

MR. O'CONNELL: Under your rule we wouldn't have to refer it to anybody. Just have an arbitrary rule?

H.M.JR: I don't know. I am not saying.

MR. O'CONNELL: The only reason for not doing it, and for doing it the way you suggested, it seems to me that if it would embarrass Mr. Olrich in getting people - if it was impossible for him to get top-notch people under such a rule, would be a reason--

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MR. OLRICH: This is going to be particularly so, Mr. Secretary, when we get into the textile and department store field. For instance, we are now talking about getting a young man from the May Company. I am trying to get that young man. We sell a lot - the Army and Navy is already selling a lot of goods to the May Company and Macy's.

H.M.JR: Of course, as long as he keeps his Army status--

MR. SULLIVAN: Oh, I don't think that solves the problem at all, Mr. Secretary.

MR. O'CONNELL: He might very well be getting paid by the May Company; many companies continue to pay.

H.M.JR: All right. This is difficult, but it can be solved. I am not going to solve it today. Let's hear some more.

MR. OLRICH: "Wherever possible, Divisional Managers will be selected on a full-time, salary basis. Where this is not possible, he may be retained as Consultant by Mr. Olrich on a part-time and/or per diem basis."

H.M.JR: That is all right.

MR. OLRICH: That is the gist of the matter.

H.M.JR: The part where it was referred to me, I definitely want to change that.

MR. OLRICH: "Divisional Managers acquainted with particular commodities may be selected from within the industry, which selection shall be referred to the Secretary for confirmation."

H.M.JR: No.

MR. O'CONNELL: There is another one later.

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MR. OLRICH: Regarding appointments?

MR. O'CONNELL: No, transactions.

MR. OLRICH: "No Divisional Manager who retains any connection with the company shall participate in any transaction involving that company."

Then it says, "Any transaction in the commodity field of such person involving his company shall be submitted for approval of Mr. Olrich and the General Counsel. In any significant case, Mr. Olrich may refer same to the Secretary."

That is the way we had it.

H.M.JR: Where it goes back and says to refer to me, I don't want anything referred back to me. I would say, where it says to me or the General Counsel - I think this may make it a little bit slower, but I would say, "...to the General Counsel and Charles Bell." Does General Counsel include both of you fellows (O'Connell and Lynch)?

MR. O'CONNELL: Yes.

H.M.JR: I am leaving you (Sullivan) out.

MR. SULLIVAN: That is right.

H.M.JR: Now, you are part of the General Counsel's Office?

MR. HILL: Yes, Treasury Procurement, Chief Counsel. I am the workingman over there. I bother Joe.

H.M.JR: Let's have a little committee of four to work with you on this thing, see, which will have full power to act without referring it back to me; and that would be Mr. Hill, Charles Bell, Lynch and O'Connell. This is your group, and if you have something that is at all bothersome on this thing - and I think you should

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rewrite it and leave it elastic enough so this committee and yourself have some leeway--

MR. OLRICH: So we can sell goods.

H.MJR: And I don't want anything to come back up to me. Mr. Hill says he is the workingman. These other people are supposed to be, too. But I would much rather have a certain amount of elasticity. Here is a group, that any time you have somebody, they are there to meet with you, and they give you a yes or no, and just tell me the results. That ought not to slow you up more than half a day at any time. If it has to come to me it might hold you up more than twenty-four hours.

Is that satisfactory?

MR. OLRICH: Yes, sir, it is.

"...selection shall be referred to the Secretary for confirmation." The selections?

H.M. JR: No.

MR. OLRICH: You don't want that?

H.M.JR: No, I don't even want that.

MR. SULLIVAN: I like your suggestion. It is very easy to put down on paper - the ideal situation - assuming there are a lot of top-notch Divisional Managers who are just waiting for a chance to go to work for Uncle Sam.

What you are up against here is that you are terribly anxious, because of the importance and the size of the job, to get the very best people; and your very best people are often people who are in a personal situation that they can't afford to give up everything, and their companies can't afford to give up everything, and you just weigh the advantages and disadvantages. This suggestion of yours, I think, is the very best one.

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H.M.JR: It gives it a certain amount of elasticity, but nothing has to come back to me. You want to appoint somebody; you say, "Boys, can you see me this afternoon? Can we get together?" They say, "Sure." They get together and the thing is settled.

MR. OLRICH: We will write it up and have the memorandum on your desk.

H.M.JR: I would like once more to go over those regulations after you have another meeting.

MR. OLRICH: When would you like to set the time, sir?

H.M.JR: I would make them fairly elastic; John has elaborated. Do you want to sit in with them?

MR. SULLIVAN: I will, if I am here.

H.M.JR: You sit with them when you can. How is that?

MR. SULLIVAN: That is fine.

H.M.JR: I am available at three, tomorrow. And then you will have another drafting of the thing?

MR. OLRICH: All right, sir.

H.M.JR: Is what I have suggested all right, Charlie?

MR. BELL: Fine. I haven't had an opportunity to clear the other little item, that is the weekly report.

H.M.JR: Well, I want to have you work out, at regular intervals - I am a great fellow for statistics, like you are - I want to know what our position is - I want a report. I don't know - you tell me we have thirty-seven-odd million dollars' worth on hand; I want to know the in-take and out-put, and net position.

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MR. OLRICH: The report is under way and it is promised me it will be on a regular basis on the 16th of May, in which we will be able to report to you the opening inventory, the acquisitions, the disposal by transfer, disposal by sale, and the closing inventory by a significant group with high spots marked.

H.M.JR: Well, what I would like is to have it come in the form which I am used to. George Haas is our chief statistician. If you could consult with him so it will come to me in a way that I can absorb it--

MR. OLRICH: Yes, sir.

MR. SULLIVAN: That doesn't mean the way we have been getting it, Ernest, because I have been getting reports. I have one in my desk now; it took me so long to make sense of it, I didn't bring it in to the boss.

MR. OLRICH: No report is a good report that doesn't make sense.

H.M.JR: Well, I think if you meet this fellow Haas you will like him. He does do a nice job.

Are you going away satisfied with this meeting?

MR. OLRICH: Yes, sir.

H.M.JR: Completely?

MR. OLRICH: Yes, sir.

H.M.JR: Still happy?

MR. OLRICH: Yes, sir.

H.M.JR: All right.

Anything else?

May 8, 1944

MEMORANDUM FOR SECRETARY MORGENTHAU

From: John L. Sullivan

JTS

AAA

Mr. Clayton advises me that there is no "formal code of ethics" for dollar-a-year men working under his jurisdiction. He says he believes the general rule that no dollar-a-year man can participate in the discussion of transactions in which his own company is involved is the only practical solution of the problem.



TREASURY DEPARTMENT

WASHINGTON

May 8, 1944

[Handwritten signature]

MEMORANDUM TO THE SECRETARY:

Met with other members of the Space Control Committee and drew up final draft of order to be submitted to Mr. Clayton for his signature and issuance. This order will formally establish the Space Control Committee and state its purposes.

Sold 500,000 square feet of shearlings, backed 3/8" pile, at 30 cents per square foot, f.o.b. Topeka, Kansas, through negotiation, to one company. This is the approximate market price.

^{REAS}
Initiated plans for expansion of office space for surplus property disposal organization.

Attended sub-committee meeting of Clayton Board to discuss proposed Regulation #1 which has to do largely with the division of commodities among the disposal agencies.

[Handwritten signature]

May 8, 1944

Harry White
Secretary Morgenthau.

Would you talk to me to see if there is anything that I could do about bringing T. V. Soong back to this country? I understand that T. L. Soong has been designated to be one of the Monetary Committee delegation to come over here and it is in my mind and I don't know where but I think that T. L. Soong has given the impression that it is I who want him over here. If I wanted anybody over here, I'd want T. V. Soong over here, so please talk to me about it.

Finished

May 8, 1944
3:35 p.m.

CABLE TO CHINA

Present: Mr. White
Mr. John Carter Vincent

MR. WHITE: Since talking to you, this cable came in.
(Hands the Secretary cable from Mr. Gauss dated May 6, 1944.)

We checked back at this end to make sure it isn't an error at this end, but we are both inclined to think it is an error at the other end.

MR. VINCENT: I don't know what they have done, but it isn't a decoding error. That is the only thing.

H.M.JR: Are you sure the V is for "V"?

MR. WHITE: I thought we might make sure and send that cable. (Hands the Secretary memorandum to Mr. Collado from Mr. White dated May 8, 1944, attached.)

H.M.JR: The only suggestion I would have is, I would say, "Secretary Morgenthau learned that T. V. Soong has planned to come to the United States" period.

MR. VINCENT: I didn't recall the rest.

H.M.JR: The rest is to attend the monetary conference.

MR. VINCENT: Yes.

H.M.JR: Let's just put brackets around it and take a look at it.

MR. WHITE: We have been informed that T. L. Soong is a member.

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H.M.JR: I know, but leave the rest in. You say, "We will be glad to have him come to the United States."

MR. WHITE: I think if we place this emphasis on "V as in victory," Adler will get the point, and the Ambassador--

H.M.JR: But by leaving it that way, "We will be glad to have him come to the United States," doesn't just limit his coming to the monetary conference.

MR. VINCENT: What the Secretary has in mind is that any time now T. V. Soong might come back. And again, I asked him whether he had heard anything about T. V. planning to come back. He says, "No, he is too busy. I am quite sure he is not going to come back." But Wei is not the most truthful man in Washington, anyway.

H.M.JR: But do you see what I mean? Then the next sentence says--but this leaves it so he can read it--"We will be glad to have him come to the United States." I think it improves it, personally.

MR. WHITE: We can at least send that. I don't know whether that will--if it is a mistake over there--

H.M.JR: I would like you to add this sentence--put this sentence on at the end: "How soon may we expect him?"

MR. WHITE: That is a little hard in the light of his asking us how soon he should be here. His cable questions what is the last minute he can leave. I see a little double-talk; you men might help.

Well, let's cut this last sentence out then and say, "T. V. Soong is to come to the United States. How soon can we expect him?"

H.M.JR: How would it read?

MR. WHITE: "Secretary Morgenthau was glad to learn that T. V. (V as in victory) Soong is planning to come to the United States. How soon may we expect him?" They will

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puzzle like the devil over it, which is all right. They will come back with something. They might say, "We meant T. L. Soong," but at least they will know that you are glad. You can say "very glad" if you want to.

H.M.JR: Yes.

MR. VINCENT: Why not say "return"?

MR. WHITE: "Very glad to learn that T. V. Soong is planning to return to the United States. How soon can we expect him?" They will rush for the cables to see what they wrote. Then we won't refer to his cable.

MR. VINCENT: Yes, I would. As a matter of fact, I still think that having gotten that off your chest, I would take this sentence here still as a separate paragraph.

MR. WHITE: We can't tell them anything, anyhow.

H.M.JR: The Russian Ambassador called me up just before lunch, pressing me very hard, and I can't tell him. We are waiting on him.

MR. WHITE: "How soon may we expect him?" They won't know what to make of that, and they will cable back and say, "Well, we asked you how soon he has to be there," but that will fix that. If they meant T. L. Soong, then you are getting across a message which you had no way of doing without it.

H.M.JR: That is right. The way I feel is this: I had dinner with the Ambassador Wei the night before he left. He went back and completely misquoted me on this question.

Then White had an experience. He said that they wanted T. L. Soong. I don't know how you feel, but I have real confidence in T. V. Do you agree?

MR. VINCENT: I do, too, confidence in his ability.

H.M.JR: I go further, and his integrity.

- 4 -

MR. VINCENT: On this thing, yes; not on China.

H.M.JR: I have never seen him, but vis-a-vis me, he has been a hundred percent on the level.

MR. VINCENT: I can say that Gauss finds him the same way.

H.M.JR: Well, with me--you say Gauss does, too?

MR. VINCENT: Yes.

H.M.JR: Now, I have nobody here I can do business with representing the Chinese Government. That would still be true after T. L. Soong got here, so I would like to have somebody here at this very critical time that I do have confidence in. I am not familiar with what he does in China and the goings on there.

May 8, 1944

To: Mr. Collado

From: Mr. White

Please send the following cable to the American Embassy,
Chungking, China.

To Adler from the Secretary of the Treasury.

"Reply to your cable 787 of May 6.

Secretary Morgenthau is very glad to learn that T. V.
(V as in victory) rather than T. L. (L as in liberty) Soong
is planning to return to the United States. How soon could
T. V. leave?"

HMM/3a 5/8/44

DEPARTMENT
OF
STATE

ms. White (ms. Fisher orig.)
INCOMING
TELEGRAM

DIVISION OF ⁹⁶
COMMUNICATIONS
AND RECORDS

GYM-599

This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (SC-00)

Chungking

Dated May 6, 1944

REC'D 10:14 P.M. CONFIDENTIAL For security reasons the text of this message must be closely guarded. DEPARTMENT OF STATE MAY 7 1944 DIVISION OF COMMUNICATIONS & RECORDS
--

Secretary of State,
Washington.

URGENT

787, May 6, 9 a.m.

TO SECRETARY OF TREASURY FROM ADLER.

T. V. Soong having much Government business to attend to here wishes to leave for conference at last minute. He has asked me to ascertain when approximately monetary conference is due to begin. Immediate reply would be appreciated.

GAUSS

LMS
WTD

DIVISION OF COMMUNICATIONS

MAY 7 1944

RECEIVED
DIVISION OF
COMMUNICATIONS

DEPARTMENT
OF STATE

OUTGOING
TELEGRAM

97
DIVISION OF
COMMUNICATIONS
AND RECORDS

This telegram must be
paraphrased before being
communicated to anyone
other than a Government
agency. (SC-00)

May 8, 1944
7 p.m.

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

DEPARTMENT OF STATE
DIVISION OF
MAY 12 1944
COMMUNICATIONS
AND RECORDS

AMEMBASSY,

CHUNGKING.
621

FOR ADLER FROM THE SECRETARY OF THE TREASURY

Secretary Morgenthau is very glad to learn that
T. V. (V as in victory) rather than T. L. (L as in
liberty) Soong is planning to return to the United
States. (Reference your 787 of May 6.) How soon
could T. V. leave?

HULL
(EGC)

FHA:EGC:ja
5/8/44

CA

COMMUNICATIONS SECTION
MAY 13 1944
RECEIVED
DIVISION OF
COMMUNICATIONS
AND RECORDS

May 8, 1944

Mr. Smith

Secretary Morgenthau

I met Mr. T. Y. Lo, 1601 V Street, N.W., Telephone Dupont 1530, Extension 23, and he is in charge of getting moving pictures in and out of China. I suggested that perhaps he might like to go to Bridgeport, and he said that he would like to very much.

He has been asked to furnish some movies for War Bonds in the Chinese section of Seattle. I am wondering whether it wouldn't be a good idea to do this in other cities with large groups of Chinese.

File -

JULY 1944

CONTENTS ON BACK COVER

The Reader's Digest

UNITED STATES SAVINGS BOND

THE UNITED STATES OF AMERICA

HEREOF WILL PAY

TEN YEARS FROM THE ISSUE DATE

ONE HUNDRED DOLLARS

To

Mr. and Mrs. America

No. 1 Main Street

U. S. A.

WAR SAVINGS BOND SERIES E

THIS BOND IS ISSUED UNDER ACT OF MARCH 17, 1942, AS AMENDED, AND IS SUBJECT TO THE TERMS AND CONDITIONS STATED ON THE BACK HEREOF. IT WILL BE DELIVERED BY AN AUTHORIZED OFFICIAL OF THE TREASURY DEPARTMENT, WASHINGTON.

THE SECOND LIBERTY BOND ACT OF MARCH 17, 1942, AND CONDITIONS STATED ON THE BACK HEREOF. IT WILL BE DELIVERED BY AN AUTHORIZED OFFICIAL OF THE TREASURY DEPARTMENT, WASHINGTON.

NOV 1943

Buy One of These Bonds Today!

To:

Secretary Morgenthau

100

D

This came over from War
Finance for the use on the front
of a radio promotion book.

F.S.

(FS)

Fred Smith
Room 2904

TO THE RADIO STATIONS OF AMERICA

On June 12, the Treasury Department will launch the Fifth War Loan --the world's largest war financing program, and perhaps the most important of all the war.

The goal is \$16,000,000,000 of which \$6,000,000,000 is to come from sales to individuals. To achieve this goal we must increase our sales to individuals by \$700,000,000 over the amount subscribed by individuals during the Fourth War Loan.

The Fifth War Loan comes at a busy season for rural people, and at a time of the year when urban dwellers will be tempted to spend extra money for vacations. It will take added effort on the part of everyone to reach our goal -- a goal \$2,000,000,000 higher than that of the Fourth War Loan.

The Treasury Department sincerely appreciates the splendid cooperation of the radio industry during the past War Bond campaigns, and urges even greater effort in the Fifth War Loan Drive.

Sincerely,

(s) Henry Morgenthau, Jr.

Although Mr. Skouras understood that he was to head Motion Picture Industry's campaign in the 5th War Loan Drive, unfortunately the War Activities Committee appointed a new chairman, Mr. R.J.O. (Donnell) of Dallas, Texas.

When Ted Gamble returns please talk (576.) to me about this. John W.

May 8, 1944

Dear Mr. Skouras:

In the light of the excellent campaign conducted by the Motion Picture Industry under your leadership in the Fourth War Loan, it had seemed to us here that the same committee might well be held for the Fifth War Loan. Your letter, and a subsequent talk with Ted Gamble, explains to me why this did not work out.

I regret that we are not going to have the benefit of your good services, but I am happy to receive the pledge of support of the numerous companies and theatres under your direction. I wish to assure you too, that we at the Treasury are delighted to know that the War Department Art Exhibit is to be handled by yourself and your associates. This is a most important undertaking and properly identified with our War Bond program will unquestionably bring about a more realistic understanding of the needs for and uses of the individual's participation in the big task of financing the war.

Sincerely yours,

(Signed) H. Morganthau, Jr.

Mr. Charles P. Skouras, President,
National Theatres Amusement Company, Inc.,
1609 West Washington Boulevard,
Los Angeles, California.

TRG:ecb

National Theatres Amusement Co., Inc.

1609 West Washington Boulevard

Los Angeles, California

April 25, 1944

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

Dear Mr. Morgenthau:

Recently when I had the honor and pleasure of meeting you in New York you paid me a very high compliment by urging me to head the Motion Picture Industry's Campaign in the Fifth War Loan, as I had done in the case of the Fourth War Loan.

I deeply appreciate your most gracious invitation and am mindful of the Honor which you thus bestowed upon me. You made the path of duty clear to me in the presence of those who head the War Activities Committee of the Motion Picture Industry, and after the conversation I had with you, official acceptance on my part was understood by you and me to be but a mere formality. Unfortunately, however, perhaps because of jealousy that existed among those members of the War Activities Committee, they ignored my understanding with you reached in their presence, and the very next day they appointed a new chairman for the Fifth War Loan, Mr. R.J. O'Donnell of Dallas, Texas.

The entire incident as far as you, Mr. Ted Gamble and I are concerned is most regrettable and embarrassing, and I fully intended informing you of the matter personally, but Mr. Gamble told me that the pressure of events made it difficult for you to talk to me.

I want to assure you that Mr. O'Donnell who is a personal friend of mine of many years standing, is an able citizen well qualified and equipped to do a good job. He will have my fullest support, especially in view of the very great impression you made upon me by your friendly expression of appreciation for what we had accomplished in the Fourth War Loan, and your desire to see the kind of a job continued.

As President of National Theatres Corporation operating in more than six hundred important situations in nineteen states, I believe I will be in a position to contribute materially to the success of the Fifth War Loan. This participation plus the Treasury, War Department Art Exhibit which we are undertaking and Mrs. Morgenthau and her associates will give me an opportunity not only to repay the great faith that you have shown in our work, but to unify many useful forces for the good of the War Finance Program.

Washington, D.C.

April 29, 1944

I would like to say again that my talk with you was an added
impetus to my desire to continue my work in the service of my country in this important work under your leadership.

Sincerely yours,

Charles P. Skouras

Charles P. Skouras

THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

May 8, 1944.

MEMORANDUM TO THE SECRETARY:

I found that Jake Viner was in Princeton on Friday with Walter Stewart so I called him there and asked him to come down this week. He said he had been away for ten days and was compelled to go home Saturday night. He did not want to leave again this week unless it was absolutely urgent that he come. He would, however, be glad to come down next week.

I told him the problem and asked him if he would be thinking about it and he said he would. He said, just thinking about it while we were talking over the telephone, it seemed to him it was not worth running the risk of disturbing the American public on a currency matter.

swb



TREASURY DEPARTMENT

107

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE May 8, 1944

TO Secretary Morgenthau
FROM Mr. Hays
Subject: The Business Situation,
Week ending May 6, 1944.

Summary

Food situation: The removal of most meats from rationing focused attention last week on the improvement, at least temporarily, of the civilian food supply. Important factors in the improvement include the shortage of livestock feeds, a tight storage situation, and a reduction in Army, Navy and Lend-Lease requirements. While increased food supplies are currently helping to stabilize living costs, lower prices for some foods, together with the tight feed situation, may result in a decrease in food supplies next year.

Commodity prices: Commodity prices showed little change in quiet markets last week. The BLS index of 26 basic commodities was up a trifle but it continues within the narrow range of the past two months. The all-commodity index remains about unchanged.

Stock prices: Industrial stock prices in London last week rose to a new war-time high, and now stand 37 percent above the level prevailing on the eve of the outbreak of war in Europe. In comparison, industrial stock prices in New York are only 3 percent above that level. Recent buying of stocks in London is reported to have been prompted by inflationary warnings and prospective post-war tax concessions contained in the recent budget message.

National income: Payments rose less than seasonally in March, and the annual rate of income dropped to \$154.1 billions from the previous month's record high of \$155.1 billions. In contrast to the gradual decline in factory payrolls since last fall, Government payrolls (including military pay) have continued to rise, and in March accounted for approximately one-sixth of all income payments.

Retail trade: Department store sales in April were 5 percent above those of April 1943, but substantially lower than in March. Indicative of the heavy volume of pre-tax buying in March, department store sales of furs and jewelry in the New York Federal Reserve District rose 141 percent and 73 percent, respectively, above year-earlier levels.

- - - -

- 2 -

More food for civilians

Attention was focused last week on the improvement in the civilian food supply situation by the startling action of the OPA in removing all meats from rationing except beef steaks and roasts, and the dropping of canned fish from the ration list. Coupled with this was the statement of the Deputy Director of the WFA, Lieut. Col. Olmstead, before a Senate Agriculture subcommittee, that within the next few months there would develop surpluses of 10 to 15 farm commodities, on a scale that will require Government buying to maintain farm prices.

The removal of most meats from rationing follows similar action taken recently in which most canned vegetables and all shortening and rationed salad and cooking oils were, at least temporarily, made point-free. Moreover, the ration cost of butter and oleomargarine has been reduced for May, and all frozen foods are free from rationing. Meanwhile, the WFA has increased the sales quotas of fluid cream and fluid milk by-products, and bountiful supplies of eggs and potatoes have necessitated the WFA taking various steps to support prices of these items.

Feed shortage increases livestock marketings

Among the factors which have importantly contributed to the current improvement in civilian food supplies are the following: (1) the shortage of feeds, (2) a tight storage situation, (3) a reduction in Army, Navy and Lend-Lease requirements, (4) the mild winter, and (5) large production in victory gardens.

Under the influence of high prices and plentiful feed supplies, the livestock population of the country had by January 1, 1944 reached record levels. During the past year, however, consumption of feeds has outrun production, and feed supplies have become very tight. Moreover, rising feed costs have reduced considerably the profit margin in livestock production.

The tightening feed supply, particularly for corn, and a reduction in the Government support prices on hogs scheduled for next October, appears to have already caused some liquidation of hogs. Thus, although hog marketings and slaughtering have shown some seasonal decline from the peak levels reached in January, they have continued to be very heavy in recent months. (See Chart 1.) The demand for hogs has become noticeably sluggish, due in part to a marked decline in Government

- 3 -

purchases, and some stock yards have had to place embargoes on shipments, with the result that prices of non-support weights of hogs have declined sharply.

Sheep and lamb slaughter is now moderately larger than last year, and calf slaughter is substantially larger. In addition to a tight dry-feed situation, drought conditions in pasture lands of some of the more important producing sections of the Western states is expected to cause premature marketings of lambs and calves. The early lamb crop, however, which is marketed in May and June, is estimated to be about 6 percent smaller than that of last year.

Lack of storage space increases civilian food supplies

The increase in civilian food supplies is partly the result of a lack of storage space to hold reserve stocks. Food holdings in cold storage have been at very high levels during the past eight months, with freezer space 87 percent or more occupied. The elimination of frozen foods from rationing represents an effort to move these items out of storage to make space for current production of various products. Storage stocks of meat on April 1 were almost 60 percent larger than a year ago, and stocks of lard, which is now ration free, were 230 percent above a year ago. Moreover, the action eliminating most canned vegetables from rationing was taken to move existing stocks into the hands of retailers and consumers, in order to make way for new supplies from this year's crops.

Army, Navy and Lend-Lease food purchases lower

A reduction in current Army, Navy and Lend-Lease food requirements has undoubtedly been an important factor in the increase in civilian food supplies. While no figures are available on Army and Navy purchases, Price Administrator Bowles and Deputy Director Olmstead of the WFA indicated last week that Army, Navy and Lend-Lease demands had moderated considerably, with the Army and Navy buying now on a monthly basis. Food stock preparations for the European invasion have probably been completed. England is reported to have set up food stocks for the invasion period, when perhaps little ocean transportation will be available for importing food. The elimination of meat rationing in Canada, which was announced over two months ago, was attributed in large part to a reduction in export requirements due to a tight shipping situation.

- 4 -

A relatively mild winter has tended to increase the production of milk and eggs. The winter and spring vegetable crops are considerably larger than those of last year, although this is chiefly due to expanded acreage. Meanwhile, home canning of victory garden produce last year has moderated the pressure on supplies of commercially-canned vegetables.

Larger civilian food supplies aid in price control

The improvement in food supplies has tended definitely to help stabilize food prices, which hold a dominant position in the stabilization of living costs. In fact, prices for eggs, potatoes and several other vegetables in recent months have fallen below the levels of a year ago. The farm price index in April dropped below year-earlier levels for the first time since December 1939. Moreover, a 2.4 percent decline in retail food prices during the past year has largely offset increases in other living costs, with the result that the BLS cost-of-living index on March 15 (the latest data available) was only 0.8 percent above that of a year ago. This has doubtless tended in some degree to restrain demands for further wage increases. Important factors in the decline in retail food prices from last year's levels, however, have been the subsidies on butter and meat, and the extension of price ceilings.

While an increase in food supplies may tend to ease food prices, it should be noted that its influence may be offset in part by the elimination of rationing of many items. By reducing the demand, rationing has had a restraining influence on prices. With most meats now ration-free, it is possible that the increase in demand may forestall price declines for meat products. Nevertheless, the spending of a larger portion of the consumer's income on increased food supplies will, in general, tend to relieve pressure on other prices. The elimination of many items from rationing should help to curtail black market activity.

Food supplies may be lower next year

On the other hand, in the current food situation there are certain factors which have unfavorable implications for the food supply next year. The tight feed situation, the less favorable corn-hog ratio, and the reduction in support prices on hogs next October, may result in a sharp decrease in meat supplies next year. According to the December 1 pig report,

- 5 -

farmers intended to farrow 16 percent fewer sows this year than last, and actual farrowings may show an even lower figure in view of the tightening supply of feed. The sharp break in egg prices in the latter part of March caused a cancellation of hatching orders, with the result that egg hatchings during the first five months of this year are expected to fall 18 percent below those of last year. Finally, the current easing in the food supply situation may tend to encourage a relaxation in the efforts of farmers and victory gardeners. Concern is felt over such a possibility, as was evident in a statement by Food Administrator Jones last week, in which he pointed out that the present abundance of food is only temporary.

Weather more favorable for agriculture

Since the continuance of abundant food supplies will be dependent in part on favorable crops this year, the rapid progress in planting made last week in some sections of the country as a result of much sunny weather and light rainfall is distinctly encouraging. Improvement in farming conditions was marked in the Northeast and Middle Atlantic areas, but continued heavy rains in the western Ohio, central Mississippi, and lower Missouri Valleys continued to impede or prevent planting.

Drought conditions, however, continue to prevail on the ranges in some parts of the Southwest, and last week's substantial rainfall in the central and northern states from the Rockies westward was decidedly favorable, particularly for the Pacific Northwest. According to the Weather Bureau, moisture is now ample for present needs practically everywhere except in the Southwest from Texas westward.

Commodity markets quiet

Commodity markets were quiet last week and prices showed very little change. While the BLS index of 28 basic commodities was a trifle higher, it has continued to move in a very narrow range during the past two months. (See Chart 2.) Steer prices were up moderately, and hog prices of non-support weights firmed near the end of the week following the suspension of pork rationing. Prices of support-weight hogs, however, continued at the support level. Rosin and wool top prices were up very slightly, while spot cotton prices were off fractionally.

The corn supply situation for the processing industry improved considerably last week as a result of the recent

- 6 -

action making the CCC sole purchaser of corn in certain Corn Belt areas. At the beginning of last week farmers had made commitments to supply over 27 million of the 50 million bushels which the Government has requested in the next 60 days. Several important corn refining plants that had been closed for lack of supplies were able to reopen. This diversion of corn to processors, however, reduced the supply for livestock feeders. To help offset the reduced corn supplies for feed, the CCC has increased its allocation of feed wheat from 29 million bushels in April to 37 million bushels in May.

In the week ended April 29 the BLS all-commodity index rose 0.1 percent. Higher prices for apples, potatoes, and meats, and the OPA action in allowing an increase in cement prices in the Northeastern area largely accounted for the rise in the index. At 103.7 percent of the 1926 average, the index is only 0.2 percent higher than a year ago, although it is 38.3 percent above the pre-war level of August 1939.

Stock prices rise moderately

Recent nervousness of speculators and investors over invasion prospects appears to have abated somewhat, and stock prices have strengthened moderately, although the aggregate rise since April 24 has been less than 3 percent. At the close on Saturday the Dow Jones average of 65 stocks was about 1.5 percent higher than a week earlier, and the recent recovery has carried it to around mid-April levels. Stock trading activity on the New York Exchange in April dropped to the lowest level since November 1942, and showed a decline of 59 percent from the corresponding month last year. Trading activity last week continued relatively quiet, with daily average stock transactions amounting to less than 630,000 shares.

London stock prices rise to new high

Despite the recent moderate improvement, industrial stock prices at New York are still 5 percent below last year's high, and are only 3 percent higher than on the eve of the German invasion of Poland. In contrast, industrial stock prices in London last week rose to a new war-time high and stood 37 percent above the pre-war level of August 31, 1939. (See Chart 3.) The latest show of strength in stock prices at London appears to have been generated by the recent budget message presented to the House of Commons by the Chancellor of the Exchequer. The Chancellor's warning of the inflationary

- 7 -

dangers of rising wages is said to have provided the initial impetus to renewed buying of stocks as an inflation hedge. In addition, greater optimism over post-war prospects appears to have developed recently, stimulated in part by liberal post-war tax concessions for new plant and machinery costs and for research, as announced in the Chancellor's budget message. Moreover, the relative shortage of stocks caused by the war-time ban on new issues, together with the continuing pressure of idle funds, serves to provide a generally favorable background for the rising trend of prices in the London market.

Income payments rose less than seasonally in March

Due largely to the customary March rise in interest and dividend disbursements, total national income payments during the month rose above February levels. However, the increase in the total was less than seasonal, and the annual rate of income payments in March declined to \$154.1 billions from \$155.1 billions in the previous month. (See Chart 4.) Payments for salaries and wages in trade and industry actually declined slightly, but all other major categories showed increases. Government payrolls, including military payrolls, rose to a new high in March and accounted for approximately one-sixth of all income payments.

In contrast to the gradual decline in factory payrolls since last fall, Government payrolls have moved steadily higher in line with the expansion in the armed services, and in March were 23 percent above year-earlier levels. All major groups shared in the rise during this period, but the gain in Government payrolls was considerably larger than the 12 percent rise in total income payments. (Refer to Chart 4, lower section.) Interest and dividend payments in March were 22 percent greater than in the corresponding period last year. This doubtless reflects the increased interest payments on Federal security issues, since reported cash dividend payments in March, according to the Department of Commerce, were only 7 percent higher than a year earlier.

Department store sales above year-earlier levels

With sales comparisons no longer distorted by holiday influences, department store sales in the week ended April 29 rose 17 percent above last year's levels. This contrasts with a decline to 11 percent in the previous week, when year-to-year sales comparisons were adversely affected by the later occurrence of Easter in 1943. (See Chart 5.)

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For the month of April as a whole, department store sales were 5 percent above those of last year. They were lower than in March, however, and the FRB seasonally-adjusted index of sales for April dropped to 140 from 154 in March. (See Chart 6.)

Heavy sales of luxury items in March

Department store sales (adjusted) in March had risen to the third highest level on record, due to the stimulus of pre-Easter and pre-tax buying. Indicative of the heavy advance buying of luxury items to escape higher excise taxes, department stores in the New York Federal Reserve District reported that sales of furs and jewelry in March were 141 percent and 73 percent, respectively, above the March 1943 levels. Likewise, sales of handbags and small leather goods were up 88 percent, while toilet articles and drug sundries showed a gain of 62 percent.

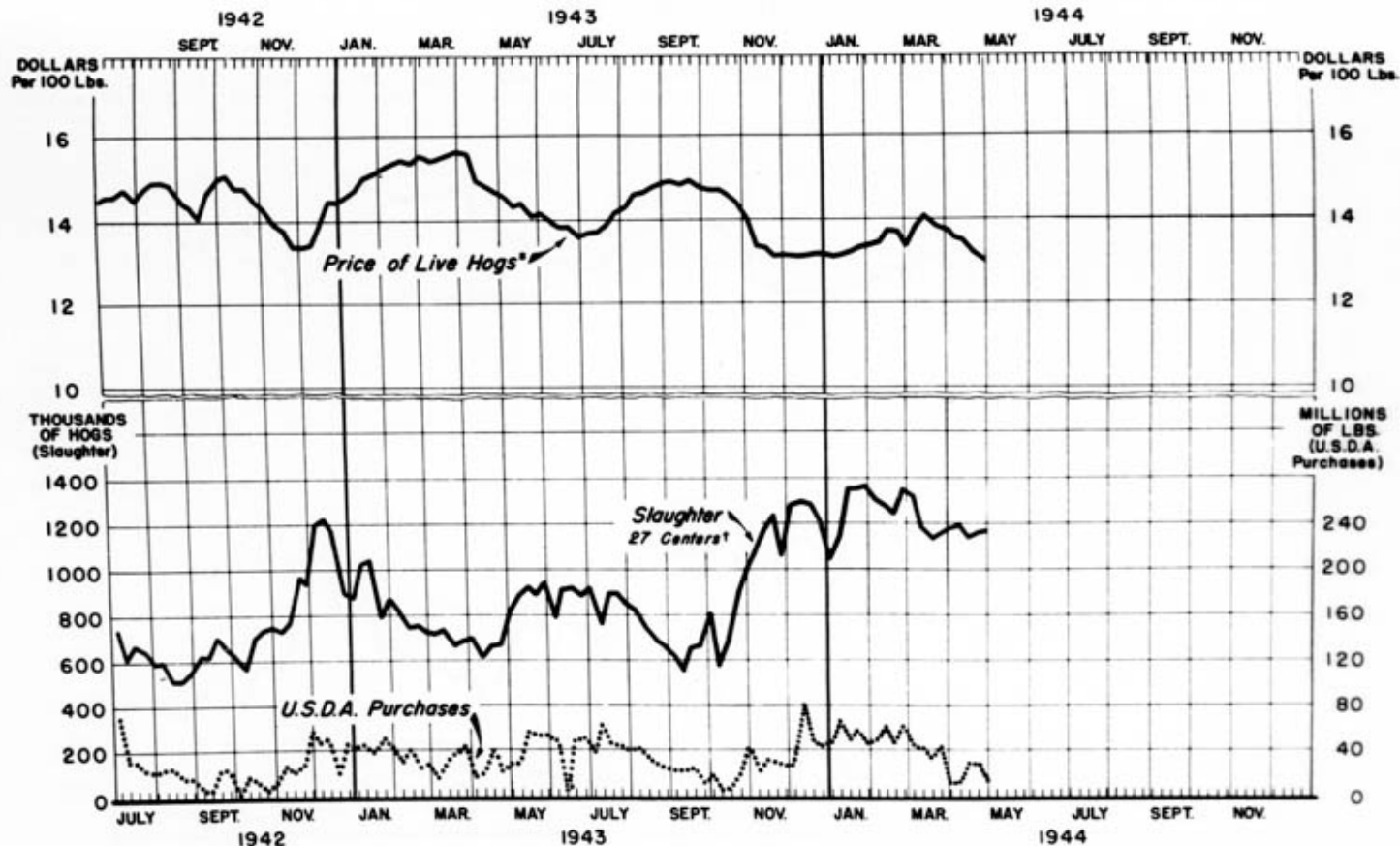
Further evidence of booming jewelry sales in March is seen in a Census Bureau report for the month, which showed sales of independent retail jewelry stores 63 percent above year-earlier levels. This exceeded gains of all other groups by a very wide margin, and contrasted with a 14 percent gain in total retail sales of independent stores for the same period.

Department store stocks still relatively large

Despite the boom in sales in March, department store stocks (in dollar value) increased about 2 percent during the month, and at the end of the period were 11 percent above the previous year's levels. However, this rise was less than seasonal and the FRB adjusted index of stocks dropped to 101 from 105 in February. (Refer to Chart 6.) While this figure represents a considerable decline from the war-time peak of 142 reached in July 1942, it is still 6 points above the level prevailing in November 1941 just before our entry into the war.

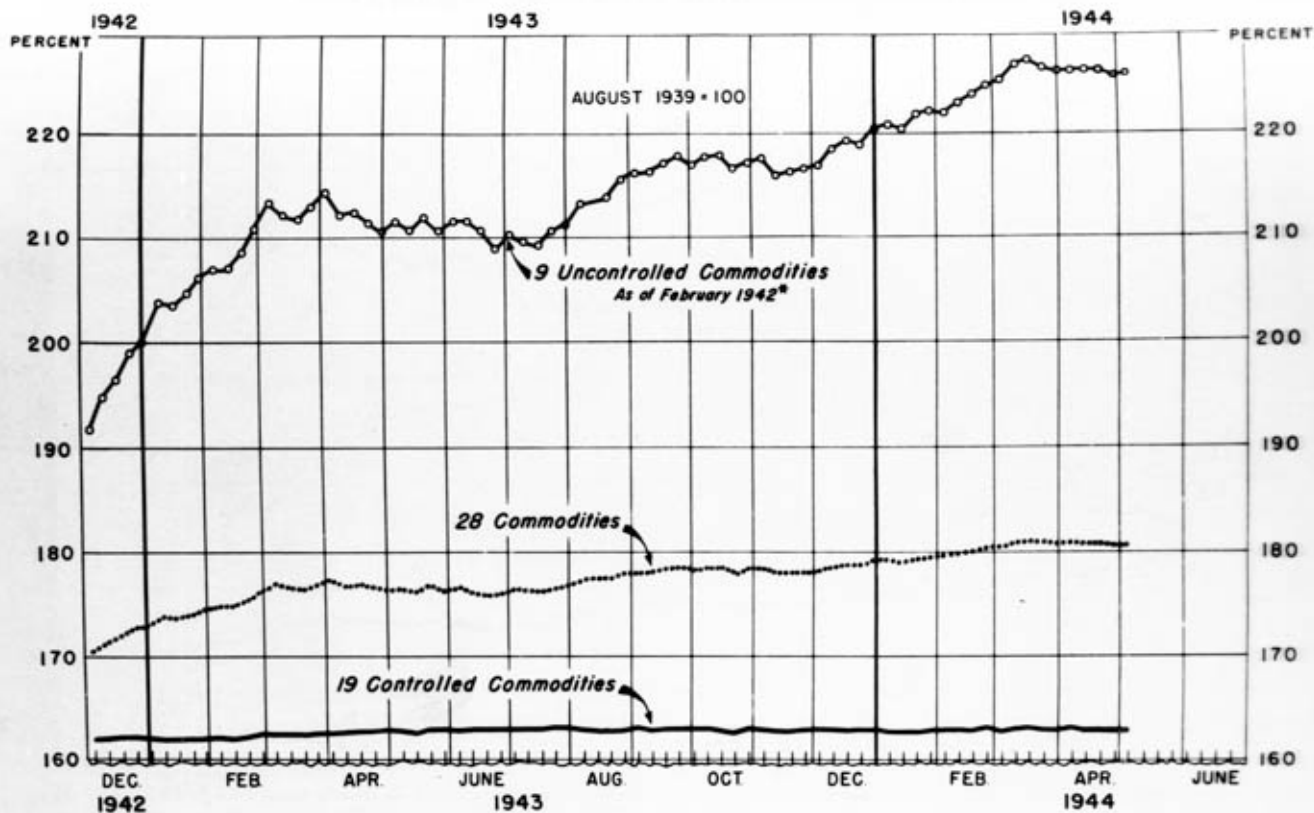
Despite the heavy sales of jewelry in March, jewelry stocks of department stores in the New York Federal Reserve District at the end of that month were 28 percent higher than a year earlier. The maintenance of large jewelry stocks is surprising, in view of the cessation of output of watches and clocks for civilians, the WPB restrictions on the use of gold and silver, and the ban on platinum in jewelry manufacture. Rising prices for jewelry have tended to inflate inventory figures, however, and supplies have been augmented by large imports of Swiss watches, the increased use of non-restricted materials, and perhaps by some black market manufacturing.

HOG PRICES COMPARED WITH HOG SLAUGHTER AND U.S.D.A. PURCHASES

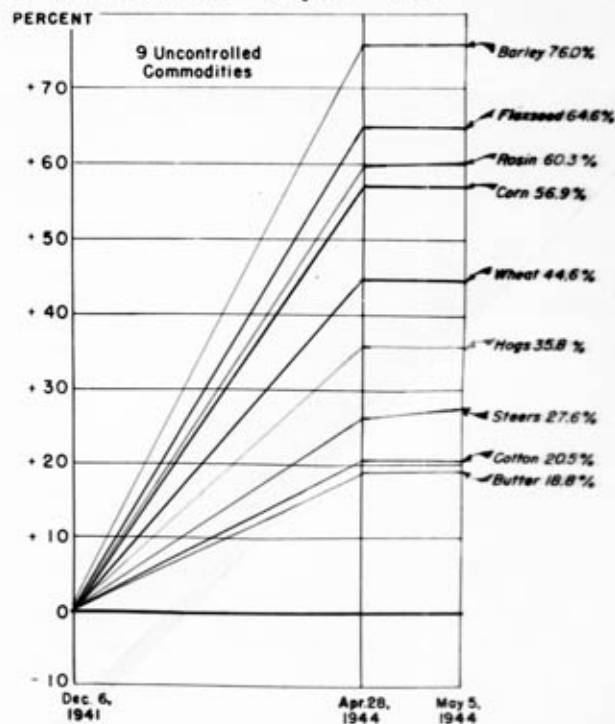
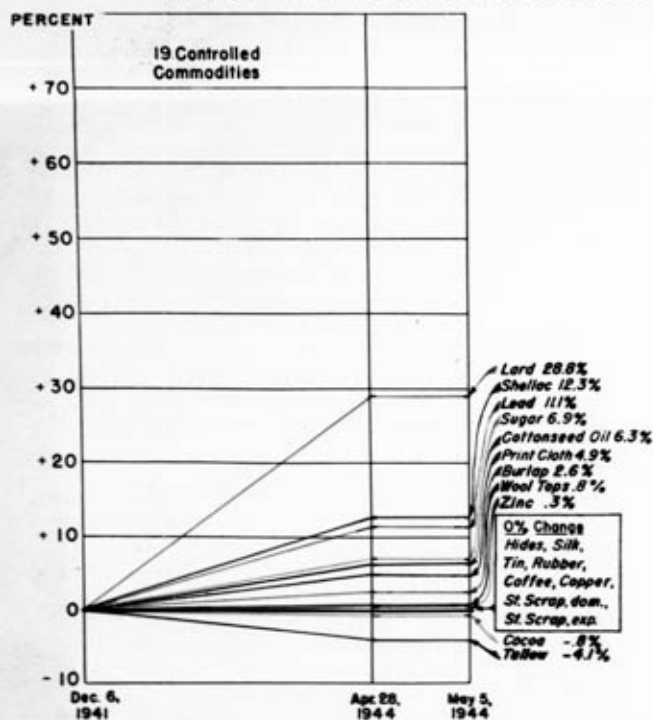


* Chicago good to choice, 180-200 pounds
 132 Centers beginning week ended April 8
 Source: Department of Agriculture

MOVEMENT OF BASIC COMMODITY PRICES



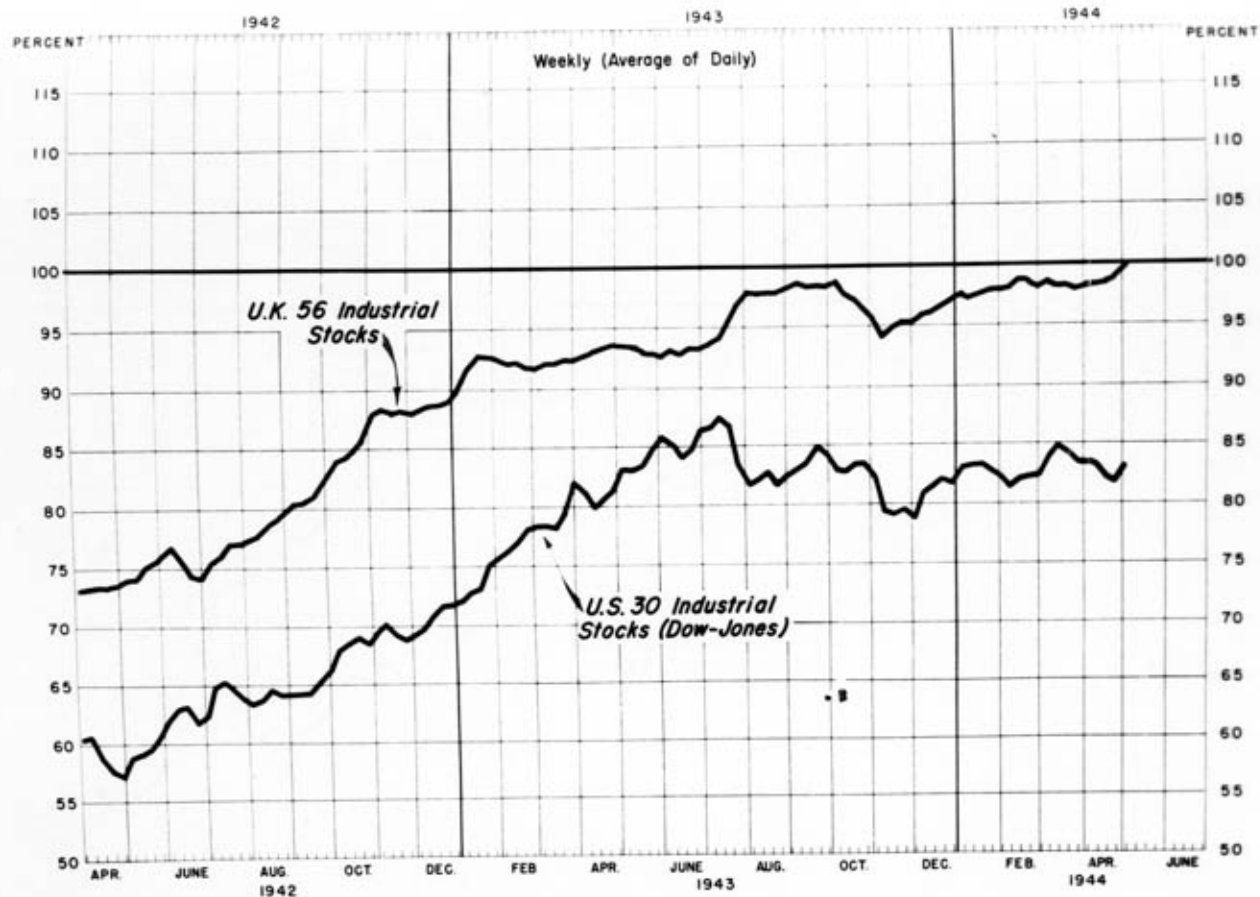
PERCENTAGE CHANGE DEC. 6, 1942 TO APR. 28, AND May 5, 1944



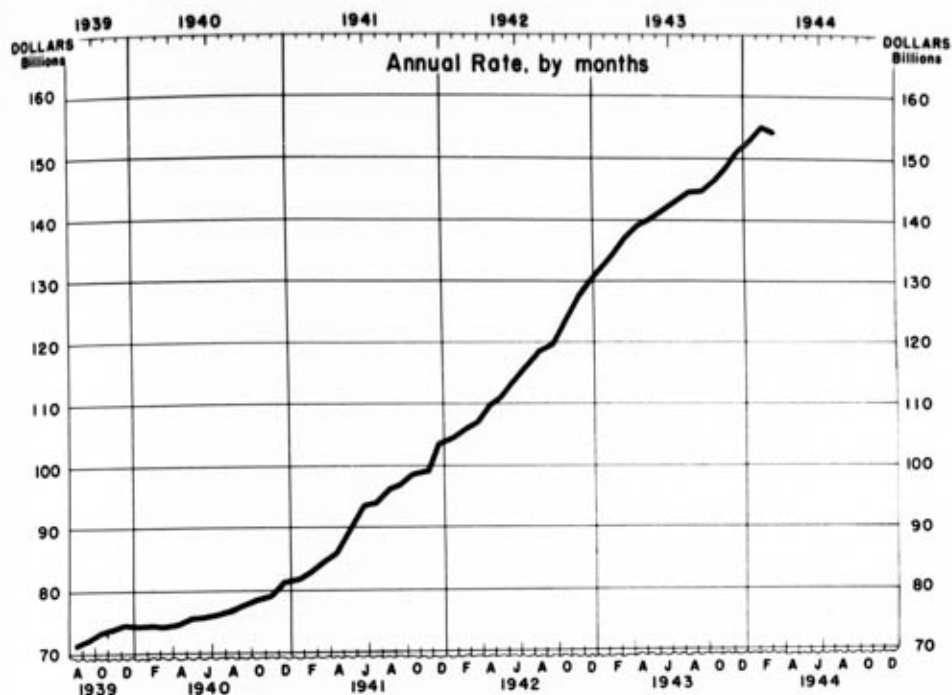
*All commodities in index are now under some form of price control, except rosin and cotton.

INDUSTRIAL STOCK PRICES IN U.S. AND U.K.

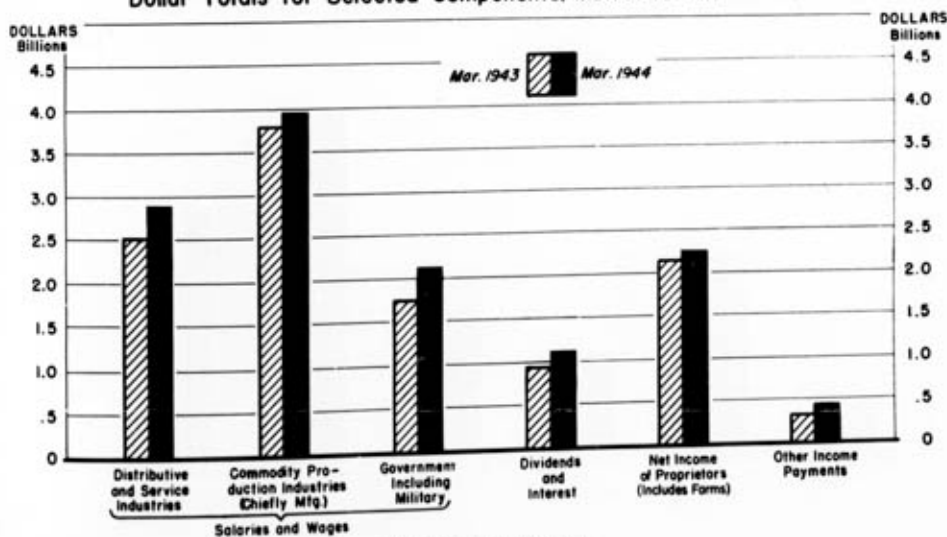
AUGUST 1936 = 100



NATIONAL INCOME PAYMENTS AND COMPONENTS

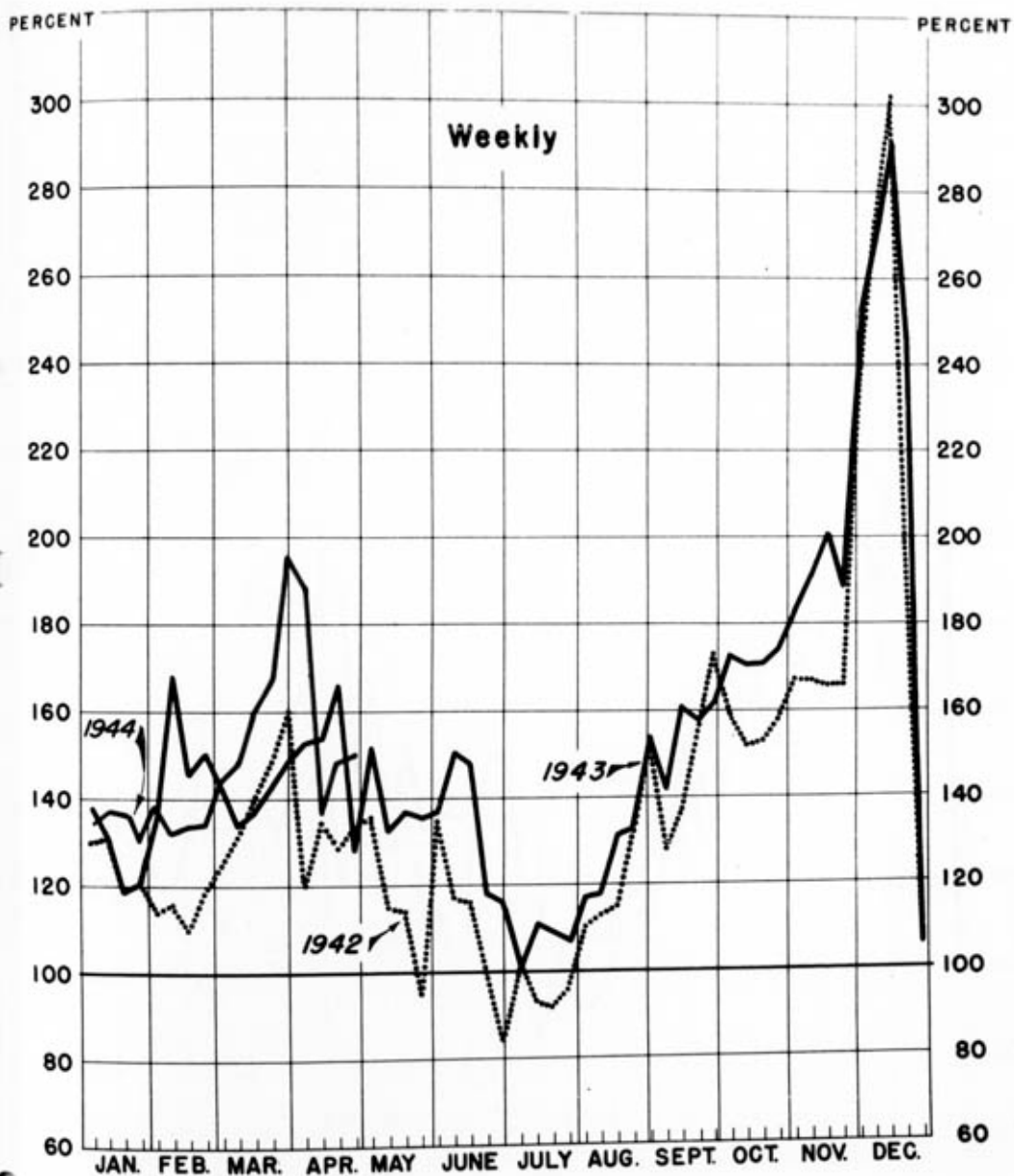


Dollar Totals for Selected Components, Mar. 1943 and Mar. 1944



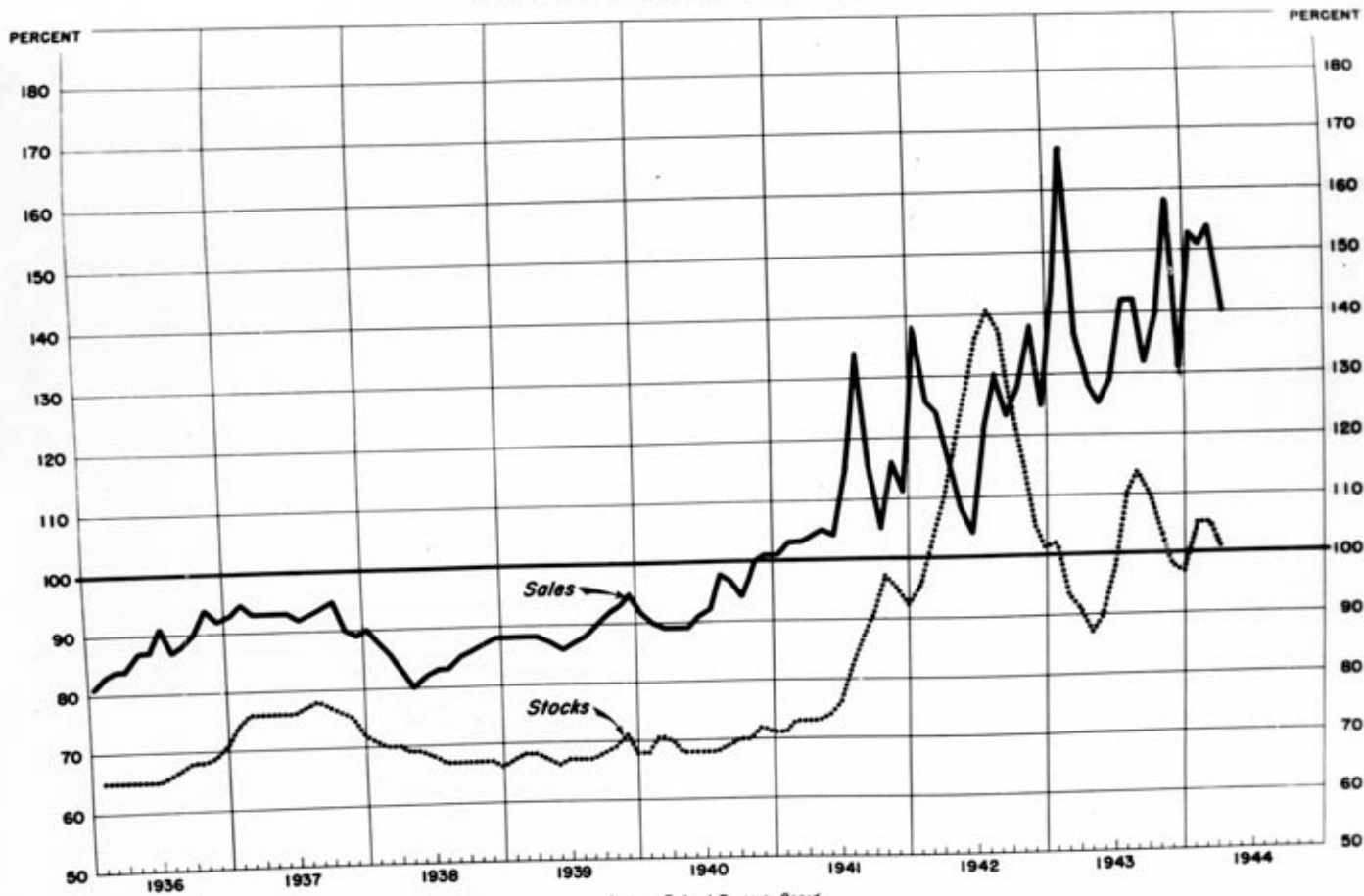
DEPARTMENT STORE SALES

1935-'39 = 100. Unadjusted



DEPARTMENT STORE SALES AND STOCKS

Dollar Values, 1923-'25=100. Adjusted



Source: Federal Reserve Board

LISTER HILL, ALABAMA
DEMOCRATIC WHIP

CURTIS MOPHERSON
SECRETARY

United States Senate
OFFICE OF THE DEMOCRATIC WHIP
WASHINGTON, D. C.

121
COMMITTEES:
EXPENDITURES IN EXECUTIVE
DEPARTMENTS, CHAIRMAN
MILITARY AFFAIRS
INTERSTATE COMMERCE
EDUCATION AND LABOR

May 8, 1944

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

My dear Mr. Secretary:

Upon my return to Washington, I find
your good letter of May 5 and I do want to thank
you for it.

It was indeed a splendid victory for
all of us and I want you to know that I appre-
ciate your fine message.

All my thanks.

Very sincerely,



LH:RM

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date

TO Secretary Morgenthau

May 8, 1944

FROM Fred Smith *FS*

A group of State Liquor Administrators, appointed by the various governors, would like to come in and see you about liquor black markets and etc. As I understand, they will be in town tomorrow morning. They would very much like to have an appointment at that time.

Howard Jones, of the Distilled Spirits Institute, is asking for the appointment.

Do you want to do anything about it?

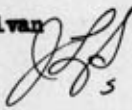
*10 am Tues.
Smith
Berkshire
Sullivan
Herman* } *here.*

May 8, 1944

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MEMORANDUM FOR SECRETARY MORGENTHAU

FROM: Assistant Secretary Sullivan



I am attaching herewith a memorandum regarding an increase for Emil Schran.



TREASURY DEPARTMENT

WASHINGTON

OFFICE OF
COMMISSIONER OF INTERNAL REVENUEADDRESS REPLY TO
COMMISSIONER OF INTERNAL REVENUEAND REFER TO
SSU

MAY 6 1944

MEMORANDUM FOR MR. SULLIVAN:

In Re: Salary plan for Mr. Emil Schram,
President, New York Stock Exchange.

The New York Stock Exchange, on March 22, 1944, filed an application requesting approval to increase the salary of Mr. Schram from \$48,000 to \$65,000 a year for three years beginning July 1, 1944 and ending June 30, 1947 and for seven years thereafter to employ him in an advisory capacity at a salary of \$30,000. After some discussion with Mr. Drake of the New York Regional Office as to the propriety of the seven year contract, Mr. Coleman asked for some time for the Board of Governors to further consider the matter, as a result of which, on April 11, they filed the present application, which requests a salary of \$55,000 a year (an increase from \$48,000 to \$55,000) for a three year period beginning July 1, 1944 and ending June 30, 1947. This employment contract also provides that he would be employed in an advisory capacity for a seven year period beginning July 1, 1947, at a salary of \$35,000 a year, and contained the further provisions that in the event of his death during the three year period his widow would receive \$35,000 a year for seven years from the date of death and that in the event of his incapacitation during the three year period, Mr. Schram would continue to receive compensation at the rate of \$35,000 a year for seven years.

When the presidency of the Exchange was vacant in 1938, the Exchange proposed to pay a salary of from \$80,000 to \$90,000 a year and made an offer of that amount to one person, but not being successful in obtaining his services they employed Mr. Martin at \$48,000 a year. He served in that capacity until his induction into the United States Army in 1941, at which time Mr. Schram became president. Since the Exchange considered this position to be one calling for a salary of from \$80,000 to \$90,000 a year, it may be assumed



Memorandum for Mr. Sullivan.

- 2 -

that for policy purposes that such a rate was established, and any annual salary not in excess of \$90,000 a year could be approved under the Act and regulations. The question arises however, from a policy standpoint that the salary for the advisory position beginning at the end of the three year contract as president might be considered as an inducement (in effect, a deferred salary payment) to accept the salary of \$55,000 a year for a three year period.

Mr. Wenchel, Chief Counsel, has stated that his advice to the Commissioner, if called upon, would be that in his opinion the Commissioner should not attempt to issue a ruling at this time on the contract for the employment of Mr. Schram for seven years as a consultant after the termination of his present employment. It is impossible to know whether the duties of Mr. Schram as a consultant are to be real or whether the position is intended to be a sinecure. When the duties and responsibilities of the position are known, the Commissioner will then be in a position to issue a ruling, not only for salary stabilization purposes, but also for the purpose of ascertaining the amount which may be deductible under the provisions of Section 22(a) of the Internal Revenue Code. Approval of the application without knowing the duties and responsibilities of the position would, in effect, be tantamount to a deferred salary increase.

So far as concerns the proposed payments to Mrs. Schram upon the death of Mr. Schram, this rests upon a different basis. It appears that the New York Stock Exchange has established a policy of making payments to its former employees' widows. Therefore, there should be no objection to permitting the continuance of what appears to be a well-established policy. It is also believed that the payment to be made in the event of the total disability of Mr. Schram may be likened to payment in the event of his death and treated accordingly.

A. W. Berglund
Deputy Commissioner.



TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25



OFFICE OF THE DIRECTOR

May 8, 1944

MEMORANDUM TO THE SECRETARY

To meet the requirements of the Relief and Rehabilitation of the Foreign Economic Administration, the Procurement Division has entered into contracts for the purpose of utilizing existing Government salvaged articles; also, for the packing of new supplies which are produced by sources which are not in position to prepare merchandise for export shipment. These various facilities are as follows:-

Rockaway, New Jersey- Sorting and packing of new shoes procured from distressed stocks of retailers and wholesalers. The shoes are delivered from various suppliers, sorted, packed for export, then stored awaiting call forward.

At the following locations, the salvaged army clothing is cleaned, repaired, dyed and baled, then stored awaiting call forward.

Bachman Comfort Products
Cohoes, New York

Dadour & Belikoff
17 Elizabeth St.
New York, N. Y.

Clothing Reclamation
Services
10 Kingsland Road
Natley, New Jersey

A. Milder's Sons
Winston Salem, N. Carolina

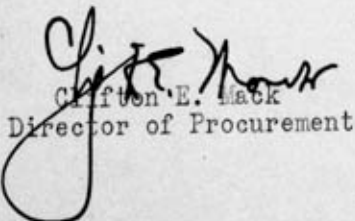
Buford, Georgia - Salvaged army shoes are delivered by the War Department. These shoes are rebuilt at this plant under the supervision of the International Shoe Company. This plant will rebuild approximately 150,000 to 170,000 pairs of shoes per month. This was in operation under the jurisdiction of the army who discontinued it as of May 1, 1944. Since May 1, it has been operated under the jurisdiction of the Procurement Division.

Memorandum to the Secretary - 2 -

5/8/44

At a location not yet determined, the Foreign Economic Administration has asked the Procurement Division to take over the packaging of medical supplies procured under Lend-Lease appropriations for distribution to the civilian population in the occupied countries. This operation would require the packaging of medical and hospital supplies on the basis of specifications furnished by the Foreign Economic Administration for requirements based on the number of beds per hospital. Certain of these supplies are already available from purchases made by the Surgeon General; others will have to be purchases to be made known to the Procurement Division by the Foreign Economic Administration.

It will be noted that the operation at Rockaway, N. J., also the proposed packaging of medical supplies for export, do not involve manufacturing operations but are more in the nature of sorting, packing, and marking for shipment. The operations at Buford, Georgia, involve the rebuilding of salvaged shoes, and at the four locations specified; there are cleansing, repairing, dyeing and baling operations of salvaged clothing. All of these are Lend-Lease activities, and in the operations we are now carrying on, whether sorting or packing preliminary to shipment, or processing, as in the case of salvaged shoes and clothing, the work is performed under a contract arrangement in each case.


Clifton E. Mack
Director of Procurement

MAY 8 1944

My dear Mr. Minister:

Thank you for informing us of the decision of your government to fix the exchange parity of the Belgian franc at 43.257 francs to the dollar.

This decision will of course be treated as highly confidential.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Camille Galt,
49 Roken Place,
London, S.W.1.

5000 2/4/44

MAY 8 1944

My dear Mr. Ambassador:

Thank you for forwarding a letter from Mr. Cuth, the Belgian Minister of Finance and Economic Affairs, to me.

Enclosed herewith is a reply to Mr. Cuth's letter which I would very much appreciate having conveyed to him.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

His Excellency,
The Ambassador of Belgium,
Washington, D. C.

Stamp 5/4/44

ROYAUME DE BELGIQUE

43/6

Washington, May 1, 1944

6149

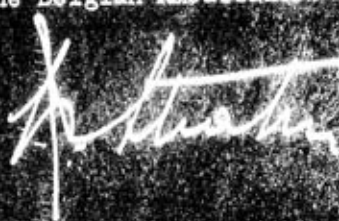
losure

My dear Mr. Secretary:

I am enclosing herewith a letter Mr. Durieux, the Belgian Minister of Finance and Economic Affairs, asked me to forward to you.

May I avail myself of this opportunity to renew to you the assurances of my highest esteem.

Very sincerely yours,
The Belgian Ambassador



able

Mathau, Jr.

the Treasury

W. D. C.

Confidential.

13th April, 1944.

My dear Secretary,

I wish to inform you that at one of our last Cabinet meetings my Government agreed to fix the exchange parity of the Belgian franc, from the day of the entry of the Allied troops into Belgium, at 43,827 francs to the dollar.

May I ask you to consider this decision as highly confidential? It has been taken in view of the present situation. It goes without saying that if a very long time elapsed between now and the landing of the Allied troops, or if the volume of quite unforeseen destructions wrought in Belgium before the landing were so much beyond expectations that it would have a marked detrimental effect on the economic situation of our country, my Government would have to reconsider such a parity.

*Believe me, my dear Secretary
with kindest regards*

Yours very sincerely

Morgenthau, Esq.,
Secretary of the Treasury,
Washington.

Just

SECRET

Protect to White 5/14/44 132✓

~~RESTRICTED~~

~~CONFIDENTIAL~~

SECRET

P-A-R-A-P-H-R-A-S-E

P R I O R I T Y

~~INCOMING~~
~~OUTGOING~~

WAR DEPARTMENT MESSAGE

FROM: CG, Allied Central Commission, Naples, Italy

TO: War Department

NUMBER: 4545, 8th May 1944

DATE:

For Morgenthau to AGWAR repeated AFHQ for MGS from ACC Main signed McFarlane.

Received from troopers is the following paraphrase cable. Understand that Glasser from US Treasury studying inflation in Italy at present. Grafftey Smith suggests that it would be of assistance if British expert could join Glasser for a few weeks and have a joint report submitted. Resident Minister Staff, Lloyd of Cairo, has been closely associated with the Middle East Anti Inflation measures and has a great deal of experience in finance. Lloyd is in Cairo and is immediately available to travel by air and remain for one month. It is considered that his cooperation would be of value. Cable Minister Resident, if you agree, who agrees to Lloyd's parting for one month.

Paraphrase of reply which has been forwarded is as follows. Finance subcommission is preparing financial Anti Inflation programme for submission with assistance of Glasser to CCS. Lloyd's assistance would be welcomed by Finance subcommission if he is available at once. Glasser, who was to have left shortly, is still requested by us to remain pending Lloyd's arrival.

No sig.

G-2 for Mr. Morgenthau

ACTION:
INFORMATION:

CM- IN-6012 (8 May 44)

~~RESTRICTED~~

~~CONFIDENTIAL~~

SECRET

SECRET

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATED: May 8, 1944
NUMBER: 3728

SECRET

The discussion regarding the monetary fund which was scheduled for last Friday has fixed the Government's position in support of the debate which will take place this Wednesday in the House of Commons and it is requested that you so inform Secretary Morgenthau.

WINANT

*I gave copy to
White.
Bill*

MAY 8 1944

Dear Mr. Secretary:

As you know Mr. Harriman and Mr. Hamilton have given us effective help in securing the adherence of the technical delegation of the Soviet Union to the Joint Statement of principles on an International Monetary Fund, and the agreement of the Soviet Government to attend a conference on postwar international monetary cooperation.

Would you be so good as to inform the Ambassador and the Charge at Moscow of my appreciation of their help and my thanks for what they have accomplished.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of State.

EMD:ff 5/3/44

Ret to Rm 221

May 8, 1944

MEMORANDUM FOR THE PRESIDENT

Attached is a memorandum discussing the proposal that this Government provide temporary havens of refuge in this country for oppressed peoples escaping from Hitler - these people to be placed in camps established in this country and to remain there until the termination of the war at which time they will be returned to their homelands.

Under this proposal the refugees would be brought into the country outside the regular immigration procedure just as civilian internees of Latin American countries have been brought here and placed in internment camps. There could be no objection on security grounds any more than in the case of prisoners of war.

The overwhelming humanitarian reasons for taking this action, and the considerations involved in deciding whether this step should be taken now by Executive action or submitted to Congress, are discussed in the memorandum, which indicates the views of the Board members on this matter.

The Board has decided that, in view of the importance and urgency of this question and the great responsibility involved in reaching a final determination as to what should be done, the whole matter should be submitted to you for your consideration.

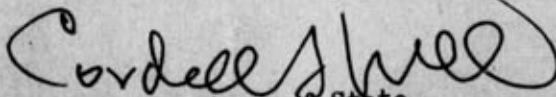
Among the possible courses of action which you will of course want to consider are:

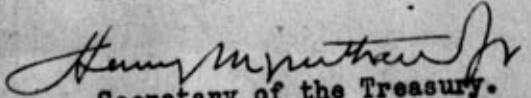
(1) Consultation with appropriate members of Congress with a view to Executive action.

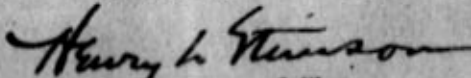
(2) Putting the program into effect at once by Executive action.

(3) Presidential message submitting the matter to Congress for urgent action.

(4) Having a bill first introduced in Congress, followed by a Presidential message urging its immediate enactment.


Secretary of State.


Secretary of the Treasury.


Secretary of War.

Attachment.

MEMORANDUM RE: Establishment of Temporary Havens of Refuge in the United States.

In the Executive Order creating the War Refugee Board you directed that the Board make appropriate recommendations to you to overcome any difficulties encountered in the rescue and relief of war refugees.

Although the Board has already initiated many measures which, if fully implemented, may result in saving many lives, there is one basic obstacle which lies athwart all our efforts. This is the simple fact that the United Nations have not been prepared to supply even temporary havens of refuge for substantial numbers of the persecuted peoples of Europe, particularly the Jews.

Why This Is The Main Obstacle

The following brief summary will reveal why this constitutes the basic weakness in our whole program.

(1) Our best chance of saving many people from death, particularly after recent events in the Balkans, lies in an effort to convince the Hitlerite forces, and more particularly their functionaries and subordinates, that it is in their interest to spare the lives of these people. In this connection, the statement issued by you on March 24, which is being given the widest possible publicity in German controlled territory, will of course be most helpful toward this end, especially if followed by concrete action.

(2) And there is also an opportunity to actually bring some of these people out of enemy territory. The recent developments in the Balkans may limit opportunities there, but there still remains a possibility of stimulating the flow of refugees to Spain and Switzerland.

(3) It is essential to both of these avenues of approach, however, that we and our allies convince the world of our sincerity and our willingness to bear our share of the burden. Thus, great substance would be added to our threats, and other countries would be much more ready to cooperate in aiding the escape of refugees, if we made it clear now by action that our doors are open to these people.

(4) The United Nations must not merely threaten our enemies and ask them to stop killing Jews; the United Nations must themselves offer the Jews a haven. Only in that way can the great moral issue involved be made clear.

Such a step would show the Germans clearly that our threats of punishment and promises of action are not mere words. It is even possible that after such an announcement the Germans might be prepared to release or permit the escape of these persecuted peoples.

(5) And such a step would certainly cause the neutral countries to encourage the entry of more refugees into their territory since they would then know that they would not be required to keep all refugees until the war ends. Thus, one of the reasons why we are not meeting with any success in Spain is the fact that the Spaniards are not convinced that we will take the refugees off their hands. Although we have been stating for a long while that we are going to take the Jewish refugees in Spain to Camp Lyautey at Fedhala (near Casablanca) in North Africa, none have been moved there to date. And although several hundred are expected to be moved there shortly, under the agreement with the French authorities only 2000 refugees may be in this small camp at any one time. The Spaniards of course know of this limitation and of the reluctant attitude of the French, which attitude has been the main reason for the long delay in moving these refugees. And the inarticulate major premise of the French attitude is the conviction that such refugees are to be dumped and left in French Africa and that neither the United States nor Great Britain will receive them.

Proposed Solution

Many private organizations, as well as John Pehle and his staff, have strongly recommended that this Government act at once in this humanitarian cause and announce to the world that we will provide temporary havens of refuge in this country for all oppressed peoples escaping from Hitler - these people to be placed in camps established in this country and to remain there until the termination of the war at which time they will be returned to their homelands.

Nature and Benefits of Proposal

(1) Under this proposal the refugees would be treated in effect as prisoners of war. They would be brought into the country outside the regular immigration procedure just as civilian internees from Latin American countries have been brought here and placed in internment camps. No violation or attempt to evade immigration laws would be involved since the refugees would remain only until the termination of the war and would not come in under the quota system. There could be no objection on security grounds any more than in the case of prisoners of war.

(2) The principal United Nations involved have already agreed that each of them will receive after the war its nationals who have fled for their lives and have been given asylum in other countries. These nations have also agreed that it is a part of their settled policy to assure such conditions in enemy and enemy occupied countries as will permit the return thereto of all persons displaced

- 3 -

therefrom who have sought refuge elsewhere. This agreement, already concurred in by the United States, Great Britain, the Soviet Union, Luxembourg, Yugoslavia, Norway, The French Committee, Greece, Belgium, Poland, Czechoslovakia, and the Netherlands should serve to make clear to those concerned that such refugees as may be accepted in camps here will be returned to their homelands at the end of the war.

(3) The humanitarian considerations which might be urged against the confinement of the refugees are answered by the simple fact that treating them as prisoners of war is better than letting them die.

(4) The general idea has been discussed with a number of organizations, Jewish and non-Jewish, and they have all expressed their approval. Most of them feel that it is by far the biggest step the Board can take to accomplish the purposes for which it was established.

(5) The necessity for unilateral action now by this Government lies in the fact that we cannot expect others to do what we ourselves will not do, and if we are to act in time we must take the lead.

(6) The practical effect of such a step by the United States might be tremendous. Our allies would without doubt follow our lead. That this country, which has always been a refuge for the fugitive from injustice, oppression and persecution, should take the leadership in this matter would be in keeping with our heritage and with our ideals of liberty and justice.

(7) In the hearts and minds of all peoples under Nazi domination and throughout the world such action might well have an effect very much favorable to our whole war effort and to our reputation as a nation which has always carried the torch in great undertakings.

In a report to the War Refugee Board in early March, Ira Hirschmann, the Board's representative in Turkey, concluded as follows:

"I am sure you will be gratified to learn that although still on the threshold, the work of the War Refugee Board has injected new life and hope into thousands of down-trodden, tormented refugees throughout the European continent. This is not my opinion but one that is confirmed by all of the refugees I interviewed during my visit in Istanbul. The first Jewish refugees of Turkish origin just arrived from France said to me feelingly, 'For two years there has been only one phrase on everyone's lips - when are the Americans coming?'"

(8) Even if no refugees were ever actually brought to these camps, the mere announcement of our readiness to receive them would remove the basic obstacle to our efforts to save them. In view of geographical and time factors, it is not likely that many refugees would actually come to the United States. The important thing is that we offer to receive them.

Question of Congressional Approval

Secretary Hull, Secretary Morgenthau and Secretary Stimson carefully considered this proposal at the meeting of the Board on March 21. There was no disagreement as to the potential benefits of such a program, and all the members of the Board agreed that the matter should be presented to the President.

Secretary Stimson in particular felt that it was a matter which should be presented to Congress for its approval. Secretary Stimson's views on this, in his own words, are as follows:

"The principal objection which I had to the proposal to bring these refugees into the United States was my fear that the proposal would be considered so at variance with the policy of our immigration laws that the President should not undertake it without conferring with and obtaining the consent of Congress. The reasons were as follows:

"Our present immigration laws were the result of a very deeply held feeling of our people that the future immigration of racial stocks should be so limited as to coincide with the existing ratio of such stocks already within the country. Furthermore these laws were adopted at the close of the last war by overwhelming majorities of our Congress for the purpose of preventing the entrance into this country of large blocks of immigrants who were likely to come from the very countries in which most of the present refugees with whom we are concerned now originate. Our people then showed that they strongly feared that an uncontrolled immigration from such countries would modify the proportion of the racial stocks already existing in our own population and would introduce into the United States many people who would with difficulty be assimilated into our own population and brought into conformity with our own institutions and traditions.

"I fear that your proposal would meet with a similar reaction from our people today who would feel that it was merely the beginning of a permanent immigration. This would be accentuated if it was carried through by Executive authority alone and without the assent of Congress.

"One of the considerations which faces us in attempting to obtain the consent of the European nations to take these people off our hands at the end of the war is that many of these countries are not now free to make valid commitments supported by responsible governments.

"But even if the obtaining of such commitments were possible, I am informed that the mere introduction of these people today on such a scale and for humanitarian purposes alone would be contrary to existing American law. In this connection I am not at all clear that the war power of the President would be held to cover a transaction like this which has no direct connection with the prosecution of the war.

"For these reasons I felt then and feel now that it would be unwise to advise the President to take such a step without the consent of Congress.

"At our meeting at which this was discussed I think you stated your belief that it would be impossible to get the consent of Congress. On reflection I am not at all sure that you are right. If presented with the support of the overwhelming humanitarian reasons and with adequate safeguards for returning the refugees to their own countries, I am not at all sure that the measure could not be carried. If thus presented, the Congress would be able to take such precautions as it would deem necessary and would be consulted in regard to the financial responsibility which it is quite evident that this country must ultimately assume."

The Attorney General has informally advised the Board that if you wish to put this program into effect without Congressional approval, legal justification could be found for such a temporary arrangement. The Attorney General believes, however, that in view of the attitude of the Congress toward all immigration policies it would be unwise for you to take the proposed action without Congressional approval having been first obtained.

Secretary Hull and Secretary Morgenthau feel that before taking any action you should consult with appropriate members of Congress.

In considering whether this step should be taken now by Executive action or submitted to Congress for its approval the following points should also be borne in mind:

- (1) Time is of the essence and, even assuming Congressional approval could eventually be obtained, it might be too late to do any good.
- (2) If, as many believe, the immediate adoption of this program is fundamental to our efforts to save many people from death, the question arises as to whether you should not act at once, as you did in the case of the delivery of destroyers to Great Britain - taking the leadership in molding public opinion in support of the action.
- (3) If the proposal were put up to Congress and Congress failed to act, the result might be to minimize the gains which have already resulted from your establishment of the War Refugee Board.

Hotel Aldelphia
Philadelphia, Pa.

May 8, 1944

The Honorable Franklin D. Roosevelt
President of the United States
White House, Washington, D. C.

Dear Mr. President:

Permit me to call your attention to a resolution adopted by the American Federation of Labor at its last convention which was held during October 1943. As you will no doubt recall, the millions of men and women who compose the rank and file of the American Federation of Labor membership went on record urging the United States to grant at least temporary asylum to the victims of Hitler's bestial persecution. The term "free port" had not been coined at that time but the sentiment of the membership was and is none-the-less synonymous with the proposal.

I quote the following section from Resolution No. 73 which was adopted at the convention:

"To this end, the American Federation of Labor calls upon the United Nations to take immediate steps to rescue the remaining Jews of occupied Europe. We call upon the United Nations, and our own country, to provide for them temporary haven in their territories."

I am writing at this time because I have learned that the War Refugee Board which you established recently is interested in what is referred to as the "free port" plan. Please be advised that I fully and unreservedly support this program of rescue for refugees. I urge you to effect the realization of this humanitarian measure, which is really a small undertaking for a nation as great as ours. We are feeding, clothing and housing over 130,000 captured Nazis, while at the same time we have made no move in the direction of alleviating the suffering of at least a small fraction of that number.

I understand that tiny Switzerland, despite its neutrality and hazardous geographical position on the map of Europe, has welcomed to its territories a far greater number of men and women driven out by the Nazis than might be expected of her. These refugees live in camps

- 2 -

and are permitted much more freedom of movement than the original "free port" suggestion calls for.

I am proud to know that a great many newspapers in our country have published editorials supporting this proposal. It is encouraging to note that the carnage in which mankind at present finds itself engaged on a world-wide scale, has not lessened the American's traditional sympathetic and humane attitude toward his fellow man.

I urge you, Mr. President, in my own name and in the name of all the members of the American Federation of Labor to cause the creation of "free ports" in this country for refugee victims of a cruel war -- now, before it is too late. Such action on your part, I believe, will clear the way for similar action in other parts of the allied and neutral world.

Sincerely yours,

William Green
President
American Federation of Labor

The Honorable Franklin D. Roosevelt
May 8, 1944

Note: This was dictated by Gomberg of NRS from a carbon copy of the original sent him by Green.

A.A.

May 9, 1944

CABLE TO AMBASSADOR WILSON, ALGIERS, FORACKERMANN FROM WAR REFUGEE BOARD

Please refer your No. 16 (Department's No. 1453) of May 3rd.

Your prompt action in taking up admission of Sephardic Jews to Camp Lyautey is appreciated. Please confirm our understanding that so long as total number of refugees in Camp Lyautey does not (repeat not) at any one time exceed 2,000, French will not object to entry of refugees merely because they arrived in Spain subsequent to March first.

We are not able to give you information as to number of Sephardics who might be rescued from occupied territory. This information must come from Schwartz, and if you do not hear from him please advise us.

We are inclined to believe that camp quota should not (repeat not) be filled by bringing Jews there from Italy. If we are able to bring more from Spain in the future this may put us in a position to encourage entry of refugees into Spain from occupied territory. For your information it is understood that many Jewish refugees in Southern Italy already have certificates entitling them to enter Palestine and the possibility of their being taken to Palestine should not be overlooked. As you probably know the British Government is presently admitting into Palestine Jewish refugees who reach Turkey. It is understood that more than twenty thousand refugees may still be admitted to Palestine under the terms of the White Paper. When you have investigated the matter please give us your views.

This is WEB Cable to Algiers. No. 8

May 8, 1944
2:35 p.m.

JL:pdk 5/8/44

cc: Sec'y, Abrahamson, Cohn, DuBois, Friedman, Hodel, Laughlin, Lesser, Mann, Stewart, Central Files, Cable Control Files.

CABLE TO AMERICAN EMBASSY, LONDON

The War Refugee Board requests that you deliver the following message to Mr. Alex Easterman, 55 New Cavendish Street, London, England:

QUOTE Urge you to take up matter of food for interned and segregated Jews with Shelbourne and Dingley Foot. Remind you of Law's assurance to you and Goldmann that there is no objection to using Red Cross food parcel stocks in Switzerland for such internees. World Jewish Congress Leon Kubowitzki UNQUOTE

May 8, 1944
2:10 p.m.

BAksin:jp 5/2/44

CABLE TO LONDON

From War Refugee Board to Schoenfeld near Belgian Government

Reference our No. 634 of January 28 and your No. 109 of March 4 concerning cooperation between Belgian Government and War Refugee Board for fulfillment of objectives set forth in Executive Order No. 9417 of January 22.

Following cable has been received from Minister Norweb in Lisbon:

Quote. In getting adults and children from occupied territory, representatives of Belgian Convention, Lisbon, are prepared to cooperate with War Refugee Board. However, instructions from the Belgian Government in London are desired by the Belgian Legation Here. It is suggested that the Belgian Government be approached as regarding its attitude if the War Refugee Board agrees and the Department concurs. We suggest that information be furnished its representatives in event that it does not participate in program. Unquote.

Please request Belgian Government to instruct its Legation in Lisbon to cooperate fully with Minister Norweb and Dr. Robert Dexter, War Refugee Board representative in Lisbon, as suggested in the above quoted cable. Please report result of your approach to Belgian Government.

May 8, 1944
2:10 p.m.

MJMarkslak 5/6/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, London
DATED: May 8, 1944
NUMBER: 3684

SECRET

The War Refugee Board requests that you deliver the following message to Albert Cohen, World Jewish Congress, 55 New Cavendish, London, England:

"Most anxious receive urgently detailed report your conferences Speak Dents and other officials concerning rescue Belgium and Dutch Jews, what agreement reached, what instruction sent, what contact people appointed.

Also what latest suggestion made by Boris. World Jewish Congress, Leon Kubowitzki."

HULL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Lima
TO: Secretary of State, Washington
DATED: May 8, 1944
NUMBER: 610

CONFIDENTIAL

In reply to an inquiry mentioning 48 unnamed persons, the Peruvian Foreign Minister informed Bern on August 19, 1943 that the passports which the Consulate General issued were null as they had been obtained fraudulently. In spite of a request for the names of these persons, they were never received here. It was only in December that the Polish Charge, followed by the Vatican, Belgian and American representatives, attempting intervention for Peruvian passport holders detained in Germany. It is presumed that these 48 persons are those which your secret airgram of May 1, 1944, 327 described as lost.

The others who would correspond to your "remainder" are known to the Secretary General of the Foreign Office. He asks that the names be supplied if such exists, and he will attempt for humanitarian purposes to secure recognition of their passports.

WHITE

DCR: IDB: HL

5/10/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Lisbon
DATED: May 8, 1944
NUMBER: 1289

CONFIDENTIAL

Reference your Nos. 11, 12 and 15 of May 1 (Embassy's 1307, 1308 and 1317).

It appears that all of the foregoing cables may have been sent by you before you received our No. 8 (Department's 1229 of May 1). As stated in that cable (WRB No. 8), Board is deeply disturbed over possibility that friction among private agencies operating in Portugal will interfere with the actual rescue of children from France. Board is relying on you to use your powers as WRB representative to prevent competitive duplication in this important rescue program. Our main goal is the saving of lives and nothing must prevent the attainment of this end.

Board appreciates having Weissman's views on this program. However, Board requests you send at once the views of Dr. Schwartz of the JDC, together with your own conclusions and recommendations.

As we stated in our No. 8 of May 1, the question of where to send the children who are actually rescued should be determined after they have been saved. The decision should be made on an individual case basis. In this connection it should be borne in mind that 1000 U. S. visas are presently available for these children in Spain and Portugal. Canadian visas are also available in addition to the Palestine certificates.

With respect to financing these rescue programs, the Board has publicly taken the position that it will rely on established private organizations for the necessary funds unless such private sources are inadequate. As you know the JDC is presently licensed to carry on a rescue program from Portugal and has substantial funds available for these operations. In addition, the World Jewish Congress has applied for a similar license, the issuance of which the Board has recommended. As long as adequate funds are available from private sources, Board is not (repeat not) prepared to authorize use of Board's funds either for rescue of these children on their maintenance after rescue.

Please advise all interested persons of foregoing.

THIS IS WAR REFUGEE BOARD CABLE TO LISBON NO. 16.

HULL

CABLE TO LISBON

From War Refugee Board to Minister Horweb and Dexter

Reference your 1292 of April 28, concerning cooperation between Belgian Convention, Lisbon, and War Refugee Board.

We have cabled Schoenfeld, London, asking him to request Belgian Government to instruct its Legation in Lisbon to cooperate fully.

This is War Refugee Board No. 17.

May 8, 1944
2:10 p.m.

MMarkstak: 5/8/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Lisbon
DATED: May 8, 1944
NUMBER: 1293

SECRET

From War Refugee Board to Norweb

Please deliver the following message to Dr. Joseph Schwartz, 242 Rua Aurea, Lisbon, from Moses A. Leavitt of the American Jewish Joint Distribution Committee:

"Most important you await Pat Malin's arrival Lisbon third week May thereafter agree your proceeding Algiers, Cairo other points. Your cable regarding purchases Azores not clear. If food packages intended for designated individuals under our licenses for Theresienstadt, Poland other camps then no authorization from blockade authorities would seem to be required since licenses specifically include purchase of supplies indigenous to Portugal and its European possessions. If supplies intended for stockpiling Switzerland and thereafter distribution by International Red Cross we may have to secure requisite authorization. Proposal for shipping shoes to Turkey from Palestine must be authorized and matter being followed up. Agudas Israel remittance \$25,000 Istanbul is for general relief rescue purposes not earmarked any specific proposal."

THIS IS WRB LISBON CABLE NO. 13

HULL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMLEGATION, Lisbon
DATE: May 8, 1944
NUMBER: 1294

SECRET

From War Refugee Board to Norweb.

Please deliver the following message to Dr. Joseph Schwartz, 242 Rua Aurea, Lisbon, from Moses A. Leavitt of the American Jewish Joint Distribution Committee:

"Please have our Barcelona office contact Jack Van Hessel care of Netherlands Legation Barcelona or Ritz Hotel Barcelona with reference to cable sent by him to Barend Broekman Stop Cable reply through American Legation channels all circumstances surrounding purpose cable and advise Van Hessel every effort being made to comply his request."

WEB CABLE TO LISBON NO. 14.

HULL
(GHK)WEB:MMV:EG
5/8/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Lisbon
TO: Secretary of State, Washington
DATED: May 8, 1944
NUMBER: 1382

CONFIDENTIAL

Following is substance of WRB 23.

Reference is made herewith to Department's message no. 1265 (WRB 12).

Dexter feels salary arrangements are satisfactory. For accounting Department in Lisbon, advise account to be charged, assume to WRB.

With Embassy accountant allocation of salary is being arranged.

NORWEB

PARAPHRASE OF TELEGRAM RECEIVED

153

FROM: American Legation, Stockholm
TO: Secretary of State, Washington
DATE: May 8, 1944
NUMBER: 1622

SECRET

Following is for attention of WRB, and refers to our telegram No. 8.

Marcus Ehrenpreis, Chief Rabbi of Sweden, and I have held extensive discussions. At present he is presiding over two Swedish committees which are actively engaged in relief operations for Jews in Europe, a special committee for saving Jewish children, and executive committee for Relief of Jews in Europe. Approximately half a million kronor have been expended on following activities in recent years:

One. Relief for Rumanian Jews. Providing refugees returning to Rumania from Transnistria with substantial amounts of local currency which enabled them to purchase necessities, was most recent help. With good prospects, efforts are being made now to expand this activity into Bulgaria and Hungary.

Two. Assistance to Jews in Poland through contact in Cracow with Judi Scheunter Schutzungstelle. Shipment of paper clothing and medicine in March 1944 was most recent help.

Three. Local currency, food parcels and medicine are sent to the Resienstadt, to refugee groups in Shanghai, to Jewish refugees living in Italy, Germany, and France, and to Jewish prisoners of war in Finland.

Four. Jewish children in Rumania, Slovakia, Hungary, southern France, and Shanghai are given assistance. Much of current activities of these two organizations has been made possible by Swedish Foreign Office with which they have strong position, particularly Ehrenpreis. Communication with enemy and occupied territory for example, has been made possible through facilities of Foreign Office with Swedish Missions in these countries, the Swedish Ministers in those posts have in most instances, themselves provided every possible assistance for execution of operations mentioned above.

At present time the two organizations are short of funds and it is strongly urged that they be sent fifty thousand dollars. They have worked closely in the past with Hias and the Joint World Jewish Congress. The

leaders

leaders of these organizations are known personally by Ehrenpreis. Latter understands necessities of this type of problem and appears to be extremely capable. It is believed that with proper financial support his activities can be expanded to considerable degree. In addition to current relief activities, we are now working with Ehrenpreis on methods of accomplishing certain evacuation programs.

JOHNSON

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Stockholm
TO: Secretary of State, Washington
DATED: May 8, 1944
NUMBER: 1628

SECRET

Following is our no. 9 for the War Refugee Board.

Through confidential channels, Bulgarian Minister here, who recently replaced strong pro-Nazi, has expressed sympathy for the Jewish situation. We believe that he can be induced to lend aid to any program that the Board may be pushing in Bulgaria, although he is very much afraid of the Gestapo element in local Bulgarian Legation. He has only been brought in contact, for the present, with chief Rabbi Ehrenpreis who for 15 years was formerly chief Rabbi of Bulgaria. It would be helpful, while this situation is developing, to have details of any program under consideration for Bulgaria which would be pertinent to the above, as well as any suggestions which the Board may have as to methods of exploiting the foregoing situation to the fullest advantage.

MOHNSON

CABLE TO MINISTER HARRISON, BERN, SWITZERLAND

The War Refugee Board requests that you deliver the following message to Isaac Sternbuch, Postfach 163, St. Gallen, Switzerland:

QUOTE Doing utmost for Vittel internees. Hopeful. Advise us if detention place of deportees from Vittel known, also if you have details condition internees Belsen-Bergen and other internment camps.

Regarding proposed large number passports advise if after Vittel matter you have positive definite hopes such passports useful, since we question their effectiveness but ready cooperate on receipt report. Suggest you send funds Lithuania, Hungary, Rumania via couriers to Rabbis, scholars, religious leaders for use in redeeming themselves and communities from extinction through all possible methods. Advise if you have reports from couriers to Lithuania and Hungary. Vaad Hahatsala Emergency Committee Rabbi Kotler and Kalmanowitz
UNQUOTE

THIS IS WRB CABLE TO BERN NO. 16.

May 8, 1944
2:10 p.m.

BAksin:jp 5/4/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: May 6, 1944
NUMBER: 1595

CONFIDENTIAL

Reference is made to your 2282 of April 13, specifically to passage regarding reply by Cuba to Vatican.

For your information, Ambassador Braden has been instructed to convey to the Cuban authorities the Department's appreciation of Cuban attitude and the assurance that the United States has no (repeat no) objection to Cuban recognition of such documents. Ambassador Winant has been instructed to request a similar British assurance to Cuba. Tittman has been asked to inform Vatican accordingly with a view to further Vatican action.

As regards actual admission, Ambassador Braden has been asked to ascertain Cuba's attitude. Should he find that Cuba is not (repeat not) agreeable to the admission of such persons holding Cuban documents, he has been authorized to repeat to Cuba the assurance given to other Latin American republics to the effect that Cuba will not (repeat not) be expected to admit persons concerned but that they will be routed elsewhere.

Ambassador Hayes has obtained assurance that Spain will endeavor to arrange for return of deported refugees to Vittel.

Among the Latin American countries approached, Honduras and Venezuela have already acceded to all our requests referred to in Department's 1221 of April 10 to you.

Refer to your 2510 of April 20. Appreciate your speedy action concerning 238 deportees. War Refugee Board received unconfirmed report that most or all of 238 deportees from Vittel have been or are being placed in Camp Drancy near Paris. Please take all necessary steps through Swiss, Intercross and otherwise to assure their welfare.

Please advise whether Swiss authorities have made the demarches requested in our 1221 of April 10 and in our 1269 of April 13.

THIS IS WRB GREEN CABLE NO. 12

HULL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: May 8, 1944
NUMBER: 2915

CONFIDENTIAL

Given below is the substance of a cable which was sent to Lisbon on May 8, 1944 as our No. 107.

We refer herewith to your cable dated May 4, 1944, No. 65.

It is requested that the following message from Islambek Khan, Counsellor, Afghan Legation, Bern, be delivered to Mr. Joffo:

I am very happy to know that you have arrived in Lisbon. It is difficult to travel. I am attempting to obtain the visas needed. I would like to know how long you expect to remain. I am at your disposal to be of any possible service under the circumstances. Regards.

The officer of the Legation was informed by Islambek that it would inevitably take time to obtain the visas for which application was needed; that he would like to see Mr. Joffo, regarding who he spoke in very friendly terms; five weeks were required for him to obtain German permission to proceed from France to Switzerland where he is also assigned as Counsellor of the Legation. Furthermore, there recently arrived here from Vichy the Afghan Minister who is accredited to both countries and neither expect to return.

The foregoing message is in reference to Bern's cable of May 3, 1944, No. 2800.

HARRISON

DCR:IDB:HL 5/10/44

CABLE TO ANKARA

Please deliver following message to Robert F. Kelley, Counselor of Embassy, Ankara, from J. W. Pehle.

For our information please advise date you received 160,000 dollar transfer from War Refugee Board.

THIS IS WRB CABLE TO ANKARA No. 34.

May 8, 1944

2:45 p.m.

WStewart; pdk 5/5/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara
TO: Secretary of State, Washington
DATE: May 8, 1944
NUMBER: 828

SECRET

Reference is made herewith to the Department's telegram of May 5, 1944, No. 394.

It is requested that you advise Ira Hirschmann that the familiarity which he has with conditions here makes it more desirable, in my opinion, for him to remain in close contact with WRB in Washington rather than to return at this time to Turkey, especially in view of my probable arrival in June in Washington. However, it is desirable that a representative of WRB be sent to Ankara at the earliest possible moment by WRB to care for the innumerable details which arise each day in connection with war refugee matters and which I have had to care for personally since Hirschmann's departure from here. This function could easily be discharged by any young man or woman of limited administrative ability. I will be glad to discuss with Hirschmann the question of his return here after I arrive in Washington.

STEINHARDT

DCR:IDB:FM
5-12-44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Istanbul
TO: Secretary of State, Washington
DATED: May 8, 1944
NUMBER: 281

CONFIDENTIAL

Following is for Vaadha Hatzala Emergency Committee, 132 Nassau Street, New York, from Griffel, Kastner and Klarman.

You are informed that sea transports started successfully, in the last five weeks about one thousand persons. With our help there is seen a possibility of enlargement. For this purpose we need two hundred thousand dollar allotment. Action is crucial in the next month. To ensure continuation of sea transport you are asked to please send this amount in free Swiss currency at our disposal.

SQUIRES

SECRETOPTEL No. 147

Information received up to 10 a.m., 8th May, 1944.

1. NAVAL

The German Destroyer (reference OPTEL No. 143) was torpedoed by MTB's on 6th/7th and is now considered total loss. On 5th U.S. Destroyers bombarded supply dumps and positions in ANZIO area.

2. MILITARY

BURMA. On 6th/7th our forces evacuated BUTHIDAUNG in accordance with monsoon dispositions. 182 Japanese killed in this area on 5th. At KOHIMA although the Japanese occupy a strong position across the road immediately southeast and south of the town, some places have been cleared about five miles northeast and north of it.

3. AIR OPERATIONS

6th/7th. MANTES. - 602 tons, Two ammunition dumps - 384 tons and 267 tons. Clear weather and bright moonlight all three objectives. Marking carefully carried out and accurate bombing resulted. Impressive fires and explosions both dumps.

7th. Allied bombers with escorting fighters flew 3,881 offensive sorties. Fortresses (8 missing) dropped 1,288 tons at BERLIN. Liberators (one missing) bombed OSNABRUCK - 400 tons. MUNSTER - 368 tons and goods yards LIEGE - 75 tons. Two enemy aircraft shot down. Six escorting fighters missing. Medium and light bombers over FRANCE attacked 8 railway centres - 250 tons and 380 rockets; Canal bridges - 92 tons and 535 rockets; military constructions and coastal defences - 222 tons; and aircraft repair factory - 88 tons. Enemy casualties 2; 1, 2. Ours - nine aircraft missing.

7th/8th. Aircraft despatched:

Airfields NANTES, RENNES and TOURS	210 (2 missing)
Ammunition dumps BRUZ near RENNES and SALBRIS, south of ORLEANS	117 (7 missing)
Battery at ST. VALERY-EN-CAUX	64
Mine-laying	42
Leaflets	4
Mosquitoes to LEVERKUSEN and CHATEAUDUN	32
Bomber Support and Intruders	39

ITALY. 5th. 78 bombers and 494 fighters (2 missing) attacked communications and supply dumps in Central Sector. 35 Kittyhawks and Mustangs attacked Sluice Gates of a dam at TORRE, 20 miles southwest PESCARA and scored direct hits.

RUMANIA. CAMPINA bombed by 71 aircraft and DANUBE mined on 5th/6th. On 6th escorted heavy bombers (7 missing) bombed PLOESTY 215 tons, Goods yards TURNUL SEVERIN - 90; ORAIOVA - 180; CAMPINA-290 and BRASOV - 305. Aircraft factory BRASOV also received 272 tons. Enemy casualties 23, 9, 11.

6th/7th. Wellingtons, Liberators and Halifaxes (4 missing) dropped 76 tons on BUCHAREST.

7th. Escorted Fortresses and Liberators dropped nearly 1,000 tons on railway centre BUCHAREST. Photographs show considerable damage to rolling stock and two goods yards. Enemy casualties - 20, 2, 7. Ours - four aircraft missing.

HUNGARY. 4th/5th. Wellingtons (1 missing) dropped 76 tons BUDAPEST.