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September 27, 1944
11:20 a.m.

SIXTH WAR LOAN DRIVE

- Present: Mr. D.W. Bell
- Mr. Gamble
- Mr. Murphy
- Mr. Smith
- Mr. Haas
- Mr. Lindow
- Mr. Barth
- Mrs. Klotz

H.M.JR: Now, the purpose of this meeting is, I take it, to decide when we are going to have a War Loan; is that right?

MR. GAMBLE: That is right.

H.M.JR: I didn't want to do anything without consulting everybody. I thought the suggestions that Gamble's State Chairmen made were all right. I got the same suggestion on my recent trip last week - from the 20th of November to the 16th of December. I wondered what you thought about it.

MR. BELL: I don't have any great objections to it. I was hoping it would be a little earlier because our balance is going to be pretty low on November 30. I didn't think that the ten days was long enough before the payment date to get started, really, on the individuals, but I don't object strenuously to it.

H.M.JR: I can't start it before then. I don't think I told you (Gamble) that the down-State Chairman in Illinois said he had fourteen county chairmen working under him. They served notice on him that if Roosevelt was re-elected ten out of the fourteen would resign. He said, "If I have a little time, I am sure none of them will resign."

So I said, "Are you worried?" I kidded him. He kind of let it slip. They all laughed. He thought he would get it over. We had a little fun. But he said out of fourteen, ten had served notice. I think we need all the time we can have. I think the 20th should be the earliest.

MR. BELL: Ten had served notice they would resign?

H.M.JR: Ten out of the fourteen.

MR. BELL: If Roosevelt was re-elected?

H.M.JR: Yes. This is down-State Illinois. And Pulliam more or less said the same thing.

MR. GAMBLE: Yes, he said in two weeks he would have his people in shape.

H.M.JR: It is going to take two weeks for the country to recover if Roosevelt is re-elected. So, unless somebody here has some idea, the 20th is all right with me--

MR. GAMBLE: That is a Monday.

MR. BELL: I don't have any real objection to it.

H.M.JR: What about the financing?

MR. BELL: That is a question we ought to discuss, as to what we are going to do.

H.M.JR: It isn't a diversion. It is a thing where Gamble and I are going to come in on a collision and one of us will have to be boss. I am not saying who. Like this fellow at the luncheon yesterday - this State Chairman - something came up and I said, "Well, you have to do something on account of my neighbor who is running for President."

So he said, "You have two neighbors running for President."

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I said, "But I am non-partisan. I just said my neighbor." (Laughter)

I am perfectly willing to start to give credit for E Bonds beginning with the first of November, but I don't want to give any credit for E Bonds after the closing day of the Drive.

In other words, any sale made up to and including - the 16th, did we say?

MR. GAMBLE: Yes.

H.M.JR: ...the 16th of December will be credited, but not after that. I have been all through this thing; no one is interested in what happens when you tell them the middle of January. I don't know for whose sake you are doing it. The money is still there. These people in Chicago wanted to make it over the first of January. They wanted to run it through until the 15th of January so you could get part of next year's business.

This thing last time - we sucked in every bond, with the result we got very bad publicity on the redemptions; they were running practically equal to the sales the month following the drive.

MR. GAMBLE: That is always true, drive periods or no drive periods.

H.M.JR: All right, but you are not going to do it for me.

MR. GAMBLE: We aren't going to put on a drive and settle it on the 16th of December, Mr. Secretary, because we can't do it. The problem is not so simple. It is very involved, and we have been working on it for three years and there is no other answer to it, Mr. Secretary.

We are going to have drives in two hundred and eighty thousand plants. If we could get every one of those plants to start on the first day of November making their deductions, and get every one to close the books on the 16th day

of December and send their report to the Federal Reserve Bank, we could conduct such a drive, but there are seventy-five thousand issuing agencies involved in addition, and it takes them two weeks' time to clean up that job. Many plants, Mr. Secretary, will not start their drive until the 20th of November even though we try to get them started.

H.M.JR: I tell you why, because they know they have room--

MR. GAMBLE: Let me explain a little further. Many plants only pay once a month. They will get one pay deduction on the one pay period in December and that may be the 25th of December or it may be the 27th of December, or the 31st of December.

H.M.JR: Look, Ted, if you tell your people that the drive is over on the 16th of December and they know it now, and then instead of this thing - it takes them two or three weeks to get blocks organized, two or three weeks to do this and that - let them get organized and begin to do business when the drive opens.

MR. GAMBLE: Mr. Secretary, it is a mechanical problem that you can't solve.

H.M.JR: It is up here. (Indicates head)

MR. GAMBLE: No, it isn't up here. There are seventy-two million bonds sold and issued and delivered; you can't deliver them in that period of time.

H.M.JR: You don't have to.

MR. GAMBLE: Under your plan you have to have them delivered by the 16th of December.

H.M.JR: Do you?

MR. BELL: You have to have them in the till.

MR. GAMBLE: It isn't physically possible.

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H.M.JR: Then we will just cut down the amount.

Look, Ted, you don't take it; I take it and I am not going to take it again.

MR. GAMBLE: The last time it was bad because we ran the three weeks after the end of the drive.

H.M.JR: It is always bad. I can get the papers - clipping after clipping, "Morgenthau fails" - this is wrong. It is always me. And, moreover, even giving this thing as long as you are going to take, look at all the places that don't make their E-Bond quotas working under this plan.

MR. GAMBLE: There aren't many, Mr. Secretary.

H.M.JR: Excuse me. When I go out in the field they tell me. They gave me some very interesting figures in Chicago where they subtracted the bank loans; and after they subtract the bank loans - it may have been Boston - and they subtract what the insurance companies buy - this is particularly Boston, because they had very little bank loans - but they take away what the people borrow from the banks in order to buy this stuff - which is no good from our standpoint - and you get some very interesting figures left.

Then look at all the States that didn't make the E-Bond quota.

MR. GAMBLE: We know exactly, Mr. Secretary.

H.M.JR: How many States did not make the E-Bond quota?

MR. GAMBLE: Thirty-odd made their E-Bond quotas.

H.M.JR: Then eighteen didn't.

MR. GAMBLE: The only trouble with this job, too many people don't realize what a hell of a task it is.

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H.M.JR: Are you applying it to me?

MR. GAMBLE: I don't think it applies to you, but they don't have a full comprehension of the mechanical jobs involved.

H.M.JR: You have a very simple answer to me, see, which you are not giving me. You should say, "Mr. Morgenthau, how many do you want to sell?" And if I, as the president of this company said to my national sales director, "I am going to cut you down on the time, but I want the same results," then you could say, "Mr. Morgenthau, that is impossible."

But if I say to you, as president of this company, "I want to have this cut-off date, but being a reasonable person, I will make the necessary adjustment so that you can get them and get it so that the States like New York and these other States, for the first time, will make their E-Bond quota."

Now, I am sick and tired, as Secretary of the Treasury, of taking this thing on the chin, and I am not going to take it in the New York papers again. Let me finish, please. You have asked for this. For three weeks to pick up the New York Times every single day and see I didn't make it - I am not going to do it again. It is always Morgenthau, and always Morgenthau that fails.

MR. GAMBLE: Mr. Secretary, here was the point I was making: Regardless of what you make the quota, your people have to work full steam up to the 16th of December. Now, you are never going to make them work that way if, in their minds, two-thirds of what they are selling in those closing weeks they will never get credit for.

MR. BELL: They are going to quit a week before the 16th of December, I am afraid, Mr. Secretary. If they think they are not going to get credit for the bonds they sell on the 14th and 15th of December, they are not going to sell them.

H.M.JR: Somebody in Chicago had some plan--

MR. HAAS: That is to close it on the 31st.

MR. GAMBLE: Because of its being a year-end problem with many corporations closing their annual books.

H.M.JR: What would be a reasonable time to close it on the 16th - how many days should they need to get credit?

MR. BELL: I don't think two weeks is bad, with all the agents you have got out. I think three weeks is a little long and it dragged.

MR. GAMBLE: I think, more important, Mr. Secretary, we felt the publicity of needling the people about individual sales lagging was more harmful than the actual publicity attendant to the delay of reporting.

MR. BELL: There wasn't a lot of criticism, was there? There was a little in New York.

H.M.JR: No, it is sickening.

MR. BELL: If you make it perfectly plain - every time you went into a drive you announced--

H.M.JR: You say that every time, and every time they won't wait for the final closing. They will wait two or three days and then they expect the figures because each Federal Reserve District gives the figures out and they know this is so much, and as soon as the Federal Reserve District has cleared, it gives the figures through our State Chairmen, and your State Chairmen are always crowding us. Then this constant publicity that the drive is a failure - I had three weeks of unfriendly publicity on the last drive because we hadn't made the individual quota. And I haven't been able to get it over yet that we made it by twenty-five million dollars, or whatever it was.

MR. GAMBLE: I recognize that problem, Mr. Secretary, and I think we have to move aggressively to deal with it. We have had meetings with Bailey and UP and AP and INS to talk to them. We had newspaper people study that problem.

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They made this suggestion, that instead of getting out a press release, we announce the dates and quotas, and so forth, then they made this commitment to us, that if you will call the press conference and explain to the men in a press conference about this problem of reporting and the mechanical difficulties, the heads of the wire services have taken the responsibility for seeing that that is given good press coverage throughout the U.S., and we haven't gotten the message over effectively enough with problems attendant to this kind of operation.

H.M.JR: The last time you were going to have me do a wind-up; I take it that it would be silly to do a wind-up, so we never did a wind-up. The only one came out in the Treasury bulletin.

MR. GAMBLE: Mr. Secretary, you went to France, that was the reason.

H.M.JR: You were going to have me do it from there.

MR. GAMBLE: Let me remind you of what happened. You were to let me know the date that would be satisfactory to you and the next information I had on it was that you were going to broadcast from England.

H.M.JR: Listen, Ted, when you want something, and you want me to do something, do you wait around to hear from me? Do you put me on the calendar, or do you wait to hear from me?

MR. GAMBLE: Well, I wouldn't make any comment on that!

H.M.JR: When you want me--

MR. GAMBLE: I will tell you about the problems I had with the press release on the last day of the drive. I couldn't get any agreement from anyone as to what ought to be in that press release. It went out of here the day we got the final figures on it.

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I don't mind saying that I was slightly irritated by it because I thought a hell of a job had been done, and I think we can convince anyone who wants to take enough time to go through our problems of selling three billion dollars' worth of E-Bonds, that it is a fantastic accomplishment, Mr. Secretary.

H.M.JR: Well, who is criticizing?

MR. GAMBLE: Well, this comment just made about the amount of switching - we know how much free riding there was - eight hundred million dollars' worth in the whole U.S. Everybody has agreed that switching is perfectly natural.

H.M.JR: More than eight hundred million dollars.

MR. HAAS: That is all on free riding, but--

H.M.JR: How much money was borrowed from the banks?

MR. LINDOW: I think what you are referring to is we sold twenty and a half billion dollars in the War Loan. The banks absorbed securities during June and July and made loans equivalent to about a little over eight billion, altogether, so that we got net money, outside of the banks, of a little over twelve billion.

Now, of that eight billion, we need to break it down to analyze what it is; something around a billion or less was free riding, which means that the new securities in the drive were bought by individuals and then sold to the banks shortly after the drive, and they took a profit. Most of it was the selling of old securities from the Third and Fourth Loans by corporations to the banks, which is a reshuffling of portfolios and doesn't involve that same profit.

H.M.JR: Using the figures that you have, the net that we took out of consumption, so to speak, was twelve billion.

MR. LINDOW: That is right - a billion dollars more than the time before.

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H.M.JR: This is a good time to review the thing, and not to kid ourselves.

MR. GAMBLE: I agree with that, Mr. Secretary.

H.M.JR: There is no reason for you to take umbrage because certainly, publicly and privately, nobody has been more complimentary and appreciative than I have of the work you have done.

MR. GAMBLE: That is true.

H.M.JR: But publicly, when the thing goes wrong, I take it and you don't, and I am going to, with the assistance of everybody in the room, look after Morgenthau's interests.

MR. GAMBLE: I think part of looking after your interests is getting the money - I mean, in the final analysis.

H.M.JR: Yes, but if you get it so that by the time you get it everybody has discredited what you have done, and for three weeks write a story about the failure, and so forth and so on - even as fine a job as you and your organization have done, in the minds of the financial community, the thing is a failure.

MR. GAMBLE: That is the thing we should correct, Mr. Secretary, and not at the expense of raising the money.

H.M.JR: But I don't think you can do the thing with a press conference because you can't control these columnists; you can't control the financial writers. If you have this long gap from the 16th until the stuff comes in - they will wait a few days--

MR. GAMBLE: They will wait until the 31st.

H.M.JR: I don't think they will.

MR. GAMBLE: May I make one more observation; as long as we have mentioned the money, about the eight billion dollars

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flowing into the banks, corporations may have ten months on certificates and they sell those certificates that have two months left on them, and they buy new securities in the drive. Now, the banks would hold those certificates for a couple of months. That is a good deal the kind of money that we are talking about in that bank financing.

We got, Mr. Secretary, of all the new money the corporations had in the country during the period of the drive, about seventy-five percent of it.

MR. LINDOW: That is correct.

MR. GAMBLE: Of all the new money they had - absorbed seventy-five percent. You have to do eight billion dollars' worth of that to pick up that money. Everybody, bankers, our own people, the Treasury, everybody who understands, agrees that it is a very proper procedure in raising the funds, and perhaps the only way you would do it.

H.M.JR: Now, you sat down and figured yesterday how much individual sales were?

MR. GAMBLE: Five billion dollars.

H.M.JR: Two and a half of each. Now, supposing we said that the drive closed on the 16th and everything that had a mail postmark of the 23rd - anything mailed up and through Saturday the 23rd - Christmas is on the 25th - that that is the last day you could buy. Can you still buy on the 23rd?

MR. GAMBLE: Very little. It is not the buying, Mr. Secretary; it is the bookkeeping problem of the plants.

H.M.JR: I mean, would you stop buying on the 16th or could you buy up to the 23rd?

MR. GAMBLE: You would stop buying on the 16th.

MR. BELL: But there may be a savings bond that is being paid for in the last pay-day that comes between the 16th and the 31st; he has made three payments on it, say, in November and December, and the fourth comes - it wouldn't be a lot of money, but--

H.M.JR: I don't care about squeezing the last drop out of the thing. The thing I would like to do this time is to set the quota at a figure that the State of New York will meet. I'm using that as the worst. That is the most difficulty, isn't it? I want to set it so that they can get it comfortably, see, Ted? I don't know when they have got it, or if they ever made their E-Bond quota. After all, if we do this thing and do it my way, it is going to be ten times easier on you, or I am completely wrong, and if I am wrong, I will admit it. Now, I am not in accord with what these people say is the total amount of money they want to raise. I think we are too ambitious. Let's just stick to the individual and figure that first. Supposing we say it closes on the 16th, Dan, and I say the staff has to have everything up to and including the 23rd. How much, from your experience, of E Bonds would we lose? They know about this thing and they have a month. They can start selling on the first of November.

MR. BELL: As I recall, the peak was reached on July 8 on the daily reports. We were getting around ninety or a hundred million dollars a day around the 8th.

H.M.JR: When did the drive close?

MR. BELL: July 8. And that kept up, as I recall, a week, and then it began to drop off and it got down to the last week of the month to around forty or fifty million dollars a day, so the end of the month you were getting pretty big daily payments.

MR. LINDOW: A special kick on the last day. I can get the Beam Chart (Mr. Lindow leaves the conference temporarily).

MR. GAMBLE: While we are waiting, Mr. Secretary, of the three billion, thirty-six million dollars raised in the Fifth War Loan, one billion, six hundred and fifty million came out of Payroll Savings.

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H.M.JR: That is very good.

MR. BELL: As I recall, almost half of the E bond sales came in after the close of the drive. That was the reporting on it.

MR. GAMBLE: And the big problem, Mr. Secretary, is not how much money you want and when you want to cut it off, but the idea you are going to get the people to do the job through pay periods and then not get credit. They just won't do it.

H.M.JR: But supposing we recognize the fact that we don't expect--Ted, you can carry this thing on forever. You have, one, two, three, four, five, six, seven Saturdays in this period.

MR. GAMBLE: But you still may have fifty percent of many people's pay rolls that won't close out until the last week of December, because the people who pay on that monthly basis--

H.M.JR: Then, let's make the adjustment.

MR. GAMBLE: It isn't the adjustment, it is the fact that you can't explain what you are trying to do to every worker in every plant in America.

H.M.JR: But the Payroll Plan is supposed to go on.

MR. GAMBLE: The extra bond paying.

H.M.JR: But Henry Murphy has raised an important question, if the war should stop on the 1st of November, whether we will go after the one hundred dollar bond.

MR. MURPHY: I don't think I would apply it that soon, Mr. Secretary. I think I would have a considerable lag between the time the war stopped and I stopped going after it.

H.M.JR: I don't know how the American public is going to react. I would like to cut this E bond quota down. You have got it at two and a half.

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MR. GAMBLE: That is correct, sir.

H.M.JR: I would like to put it at two.

MR. GAMBLE: You still don't help us, putting it at two, with this plan.

H.M.JR: The people somewhere want me to get the January pay roll, somebody else the February.

MR. GAMBLE: No, Mr. Secretary, we have learned from experience how long it takes to do this kind of job and how long it takes to get plans operating in the plant. If you are going to have any enthusiasm, Mr. Secretary, in these war plants, you have to give them adequate pay periods to make the deductions.

H.M.JR: Isn't seven weeks long enough?

MR. GAMBLE: No, because they can't accommodate themselves to your calendar. We have to accommodate ourselves to theirs. Their calendar is a month, and you have to accommodate yourself to the very pay period within that month.

H.M.JR: Why not have a drive for two months?

MR. GAMBLE: We have learned, Mr. Secretary, from experience in three years how best to do this job; I grant everything you have said, and if I had a solution to it, I would like to lay it on your desk.

H.M.JR: All right. You say you want two periods and two months. I doubt very much if many plants--

MR. GAMBLE: They pay at varying times in the month.

H.M.JR: But you have here seven Saturdays.

MR. GAMBLE: Mr. Secretary, why do you suppose these chairmen sat here for two days and then recommended this? Why do you suppose the American Bankers Association recommended in their report it would require two months to do this job?

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H.M.JR: I can't help it, Ted, I know this will hurt you, but States like New York never made their E bond quota.

MR. GAMBLE: Do you know how much they missed it?

H.M.JR: They have never made it.

MR. GAMBLE: They missed about thirty million dollars out of three hundred and sixty-five million.

H.M.JR: That is ten percent. I know the point you are trying to make, but I can't make it.

(Mr. Lindow enters the conference.)

H.M.JR: Look, Ted, if it is a mechanical problem, let's shove the thing back.

MR. BELL: Is it the two months that is worrying you? How about starting the accounting period on the 15th of November and going to the 31st of December?

MR. GAMBLE: You are talking about the 15th of October?

MR. BELL: No, November 15, starting your accounting period.

MR. GAMBLE: He is worrying about the period after the close of the drive.

H.M.JR: I will tell you what worries me, I want this drive of all drives to be a howling success. It may be my last drive. It is going to be the most difficult one because I think it is certainly better than a fifty-fifty chance that the war in Germany will be over, and I am not going to let anybody influence me as to what we can get or what we can't get, because the old Morgenthau elbow is going to rule, and you know you can't argue with that elbow. It is purely intuition.

Now, to answer your perfectly good question and where Ted and I can't get together because I say slide this period--I want to be able to announce the final results of

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this drive in not less than seven days from the day it is closed. Let me do that, and I will be perfectly happy.

MR. BELL: Of course, you say this is going to be one of the hardest, and you want to go over with a bang; you are putting the very restriction on that might keep it from going over.

H.M.JR: No, because I am going to cut the amount down. But I can't get it through my head what Ted says, that he wants two full months pay periods. Then let's shove it back.

MR. GAMBLE: We could have done that if we had made that decision three weeks ago, Mr. Secretary.

H.M.JR: Ted, the thing that I want is the final figures seven days after whatever the closing of the drive is. I mean, if the drive is three weeks--I want it one week--I will be back in a minute.

(The Secretary leaves the conference temporarily.)

(Mrs. Klotz enters the conference.)

H.M.JR: Do you have it solved?

MR. GAMBLE: We haven't it solved, Mr. Secretary. Frankly, I don't think there is a solution to it in the direction you want to move. The point was made when you were out of the room that one thing we must give consideration to is that if we set these quotas too low, the unfavorable publicity resulting from it will be much worse than any criticism of the drive. It is my opinion and that of the chairmen that the reason they didn't want a twelve billion dollar quota is because they recognize the size of the job they have to do, and if they set the quota too low, people are not going into the drive stirred up to raise that much money, even twelve billion dollars. Alan and Fred were talking about it as public relations counselors, and you would get worse publicity from the financial writers on the establishment of low quotas, and you would have a more difficult time explaining that than you would have

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trying to explain this problem that we have not successfully explained in three drives. I think we can make progress in it from the work we have already done in this next drive. I don't like to be placed in the position of arguing here for this, because it is not to make our job any easier, Mr. Secretary, it is to make it possible.

H.M.JR: Ted, I am in a very good humor; I am very serious. I like to be serious and in a good humor, too.

MR. GAMBLE: Then we can get some good work done.

H.M.JR: We are getting some work done. I am perfectly honest. The thing that my brain is on, and all of my sleeping and waking hours is on, is this question of what is the future of Germany, and I can't get it out of my head. That was a call from Harry Hopkins. He wanted to know where the thing was that I promised him last night. That is where my brain is. And I think I am making a real contribution for your children and grandchildren. You can come back and say, "Well, this Treasury business comes first." It does, but as long as the President wants me to help him on this other thing, that is where my brain is, and that is why we are having this thing now instead of last week or the week before. I don't want you people to think that I am just sitting around picking apples. I am working day and night on this thing, and the time Barth came here he could sit here with me usually for an hour, and I had to jump up three or four times. But, that is where my brain is, and has been ever since I have gone to England for whatever brain and heart I have.

MR. BELL: We had a billion, three hundred million in E bonds after the eighth.

MR. LINDOW: Here is a chart. (Hands Beam Chart to the Secretary.)

H.M.JR: How long did we keep it open?

MR. BELL: They came in at the rate of about sixty-five to seventy million dollars a day up until about the 19th.

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H.M.JR: Give me the number of days.

MR. BELL: Up until about the 16th, and then they began to drop to fifty and down to thirty-five in that period.

H.M.JR: Is that in days?

MR. BELL: Yes, but it isn't very well arranged.

H.M.JR: But how many days after the drive closed did the money come in at the rate of eighty or ninety?

MR. BELL: Seventy-five million dollars a day up to about the 17th.

H.M.JR: Did the drive close on the 1st?

MR. BELL: Eighth. That was nine days.

MR. GAMBLE: Then there was a bulging at the end.

MR. BELL: One hundred and seventy million dollars on the last day.

H.M.JR: Are you against me, too?

MR. BELL: I am against you on this, but I am with you on too long an accounting period. I think it is the wrong time to put the restrictions on; I really do. I think we may hurt ourselves in the end.

MR. GAMBLE: Look at it this way, Mr. Secretary, in that period normally we get two hundred million dollars of normal sales, maybe two hundred and fifty. And this extra billion dollars we got was all money that these people had sold on the eighth, coming in after the eighth. Any cutting of that period is going to deny them credit for some portion of that billion dollars. So I don't care what the quotas are, you have to give them time to get the credit for the job they have done. It is much more important in my opinion to the success of the job than trying to counteract the bad publicity.

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H.M.JR: How many days did we keep it open last time?

MR. LINDOW: Eighteen business days.

MR. BELL: Three weeks, twenty-three days.

MR. GAMBLE: That was too long.

MR. BELL: I think it was too long last time.

H.M.JR: You mean, you can't sell during that period?

MR. GAMBLE: The normal sales--

H.M.JR: E bond sales?

MR. GAMBLE: Yes. This would be fourteen days.

H.M.JR: What is this?

MR. LINDOW: This chart splits E bonds between sales before the drive formally opened. The last time there was about three hundred millions there. During the formal selling part of the drive we sold a billion, four in E bonds or credited--from June 12 to July 8.

Then after July 8 to the end of July there was a billion three. There is almost as much money credited afterwards as there was during the formal part of the drive, and there was five hundred million dollars in the last week of this period, the last week in July.

H.M.JR: Yes, but it is like this dumb story. The fellow says, I don't want to ride in the last car of the train because that is where all the collisions take place. So it will always be the last week. I mean, instead of having the last week, three weeks, you now say we will make the last week the end of two weeks, and I am saying we will make the last week the last week.

MR. GAMBLE: If it were the thirty-first of the month, I would agree with you, but we studied the problem of maybe

- 20 -

running this drive a week later in December, but because it is only nine days ahead of the Christmas holidays, we were afraid to do it.

H.M.JR: Of course, one of the best drives we ever had was the one where we went to the 19th.

MR. GAMBLE: That would be ideal, if you didn't have Christmas in there, to start the drive about the 25th of November, running until the 23rd or 25th of the month, and close it on the 31st. But you have the Christmas holidays which eliminates that.

H.M.JR: You mean on account of the workers?

MR. GAMBLE: On account of the workers, and on account of the whole problem of merchandising in connection with Christmas.

H.M.JR: Now, I asked your moving picture fellow in Boston this question, and he said the time to have your drive is the time when people come to town with money in their pockets to spend, the inference being you have it during Christmas.

MR. GAMBLE: Unfortunately he only speaks for three percent of our sales. He is right about the traffic part of it.

H.M.JR: I thought you might be influenced by that.

MR. GAMBLE: I am only influenced by the total job. I am influenced by that fifty-seven percent we took off of flat pay rolls.

H.M.JR: It wouldn't help you any to keep the drive open until the 23rd?

MR. GAMBLE: It wouldn't help us, Mr. Secretary, and I am afraid it would be wearisome.

H.M.JR: Open it a week later; start the drive on the 27th.

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When is Thanksgiving Day?

MR. GAMBLE: The 23rd.

H.M.JR: Open it on Thanksgiving Day.

MR. BELL: No, it is the 24th.

H.M.JR: The 23rd is Thursday.

MR. BELL: Oh, I see.

MRS. KLOTZ: Is that November you are looking at?

MR. GAMBLE: The problem there, Mr. Secretary, is getting too close to the Christmas holidays.

H.M.JR: Does anybody around here agree with me?

(No reply)

MR. HAAS: I see your problem, but I am afraid in fixing up your problem you may get yourself into a more serious one.

MR. MURPHY: The unfavorable publicity that might come from setting a very low quota would come at a time when editors are likely to be far more captious and in a critical mood, and it would be at the time the late returns would be coming in.

MR. HAAS: Which late returns?

MR. MURPHY: I had in mind the returns from the drive.

MR. LINDOW: Ted, judging from the comments I read about the last drive, it looked as though the papers were being prodded into that unfavorable attitude by the State chairmen.

MR. GAMBLE: A good deal of it is our own fault, the idea it was psychologically advantageous to keep prodding the people. We incurred fifty percent of it ourselves by

- 22 -

instructing State chairmen what they were to do about publicity in connection with individual sales. They thought it was good salesmanship to keep talking about individuals having to do more. It has grown into some very bad publicity which you speak of. I recognize it, and our people recognize it.

MR. BELL: Was it the Third or Second where we only had a week?

MR. LINDOW: We had a week in the Third.

MR. BELL: And the chairmen just raised the deuce about it. They didn't get credit for all their work, even though we made the quotas.

MR. LINDOW. We cut it off in the middle of October.

H.M.JR: Well, I don't like it, but if that is the way you all feel--first I was going to say I would think about it.

MR. HAAS: This publicity--I didn't get what you were talking about, Mr. Secretary. Was it during the drive like the Washington Post said--

H.M.JR: After the drive.

MR. SMITH: I think it is safe to say that a lot of the afterwards stuff did come from the previous stuff. In New York the last couple of weeks they said, "Oh, we are failing; this is awful." Well, that was our own fault.

MR. BELL: That was done deliberately.

MR. SMITH: And it was strictly stimulated.

MR. GAMBLE: It was overplayed. The Secretary is right. It got to a point where it was--

MR. SMITH: Then after you are through, the financial writers pick it up. Well, most of the financial writers don't like it, anyhow. So you are not going to gain anything.

- 23 -

H.M.JR: We will go this far today, I can't go any further. I am willing to say this much: The drive will be from the 16th to the 20th, and we will keep it open for E bonds two weeks afterwards. I am not going into the quotas today. I will start in the first thing tomorrow morning.

MR. BELL: It will be from the 20th to the 16th; you turned it around.

H.M.JR: We will start in at nine-thirty again. Then we will have another thing, and we will make some more progress.

MR. GAMBLE: All right, sir.

H.M.JR: It might be simpler for me to just sign the ticket, but I want to be sold on it, myself.

MR. HAAS: There is one other thing. Isn't it right, Dan, that the Secretary should make up his mind before tonight?

MR. BELL: It is a question of whether we are going into bills or other forms of financing. Our balance is going to be down on November 30 to probably under three billion dollars, and that is a little low. We may get some money in as a result of the drive, and on the other hand, people may wait until pay day, December 1.

H.M.JR: Why do I have to decide today?

MR. BELL: This is the last day for bills for next week. We have let it go by one week.

H.M.JR: What are you proposing to do?

MR. BELL: We are proposing to discuss what you want to do. We have two or three recommendations.

H.M.JR: I can't do it.

MR. BELL: The other thing is, what is your program next week? Are you out most of the week?

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H.M.JR: No, I am here all week.

MR. BELL: What are you going to do about discussing this matter with dealers?

H.M.JR: I am here all week.

MR. BELL: What about the Open Market Committee?

H.M.JR: I will give you all of Tuesday and Wednesday with interruptions.

MR. BELL: Tuesday morning for dealers?

H.M.JR: Anything you want. Let me give you Wednesday and Thursday.

MR. BELL: That is all right, Wednesday and Thursday. If we are going to have bills, we ought to know Wednesday night.

H.M.JR: Well, make it Tuesday and Wednesday.

MRS. KLOTZ: Morning?

H.M.JR: Yes.

MR. BELL: You won't discuss bills with the dealers, anyhow.

H.M.JR: Do you want a meeting with the Open Market Committee Wednesday at eleven?

MR. BELL: Yes.

H.M.JR: You work out a little schedule for me and send it in to Mrs. Klotz.

MR. BELL: All right.

H.M.JR: I think you ought to have a couple key people in here like the State chairman for New York and for Chicago, a half dozen of the key fellows so they feel they are part and parcel of this. Don't you think so, Ted?

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MR. GAMBLE: Very good.

H.M.JR: Bring back a half dozen of your key fellows and let them sit around.

MR. GAMBLE: All right, sir.

H.M.JR: Well, you have round one, and I am perfectly satisfied. There are no bloody noses.

One thing while I have you here--I want the figures on what the war is going to cost after X Day, and I was going to ask so I can use it while I am out. Do you want to get that from the Budget, or should I get that directly from War and Navy?

MR. BELL: Well, there have been a lot of conferences here of our fellows, Stam, Stacy May and the Budget people, and there are no official figures at all.

H.M.JR: I want some figures.

MR. BELL: If you use them, I think you will have to be very careful, because it is the Budget's prerogative to give out estimates, and the President's.

H.M.JR: I know, I do a lot of things--

MR. BELL: But Wes has charts made up on a good many of these things.

H.M.JR: Tomorrow morning I want to know after X Day how much money the Government is going to spend for the next twelve months waging the war. I want the figures I can use when I go out in October.

MR. GAMBLE: Wonderful.

MR. HAAS: Mr. Secretary, down to the 1st of July--

H.M.JR: Calendar '45.

MR. BELL: You will have to make assumptions.

- 26 -

H.M.JR: That is all right.

MR. BELL: On the war ending--

MR. LINDOW: When do you want to assume Germany goes out?

MR. HAAS: You can take two, say October, and another assuming it is in December.

H.M.JR: Let's do it this way, that whenever X Day is, twelve months following X Day we will spend so much. Then I don't have to--

MR. LINDOW: All right. That will include the lag and mopping up some of the German cutbacks, and so forth.

H.M.JR: The twelve months following X Day we will have to spend so much to wage war--how is that?

MR. GAMBLE: All right.

H.M.JR: Then let everybody make his own guess. I want to tell these fellows, "This is your job; don't think the job is over."

MR. GAMBLE: It would be the most helpful thing you could do.

H.M.JR: I have something else you are going to like, too.

MR. GAMBLE: Swell, I like the speech.

H.M.JR: That thing I gave yesterday--it is our job, war bonds, to keep from having another 1919 and '20. Did you like that?

MR. GAMBLE: Very much.

H.M.JR: Are you going to give me a little radio time when I go up?

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MR. GAMBLE: Yes, sir, in every situation. I am going to have to take you to Chicago.

H.M.JR: All right.

MR. GAMBLE: We can't get into Indianapolis.

H.M.JR: All right.

MR. GAMBLE: I had this changed for you. (Hands Secretary war bond poster.)

We made a marine out of this fellow.

H.M.JR: I tell you, I am very low today. I am not going to argue with you.

MRS. KLOTZ: I think it is marvelous.

MR. GAMBLE: I think it is the best poster we ever had.

Thank you very much, sir.

H.M.JR: I will see you again this week, if possible, maybe day after tomorrow.

MR. BARTH: Fine.

H.M.JR: You and Smith arrange it through Mrs. Klotz.

MR. BARTH: All right.

September 27, 1944

I spoke to Hopkins last night at 7:00 after he had sent me a copy of his suggestion for the President's press conference, and I told him that I wasn't entirely satisfied with it, and I would like to send him a copy of what we would like the President to say. When he called me this morning, that is what he was waiting for.

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Copies to Messrs. Gaston, White and 29
● Smith - 9/26/44

THE WHITE HOUSE
WASHINGTON

September 26, 1944

MEMORANDUM FOR MR. E. J. FITZGERALD, TREAS.

Dear Mr. Fitzgerald:

Mr. Hopkins asked me to send
the attached to you for Secretary
Morgenthau.

D.E.K.
D. E. Krauss, Secy. to HLH

encl.
Statement re Cabinet Committee

Prepared by Hopkins

September 26, 1944

*Copies to Dutton 21
St. White & Smith
Orig. to Hooper's house
9/26/44-*

The President announced today that the Cabinet Committee which he had appointed some time ago to advise him regarding certain aspects of the American policy towards Germany after the collapse or surrender of that country, had completed its responsibility and accomplished its purpose.

In the first place, the Committee has examined and approved the American recommendation to the Combined Chiefs of Staff on the post-surrender directive to General Eisenhower, which represents the American position as to the control of Germany during the period immediately after the collapse of that country.

Secondly, the members of the Committee have submitted to the President their respective views relative to the American position as to what the Allied Powers' long-range policy toward Germany should be. While there are, naturally, differences of approach to this complex and important subject, there has been a large measure of agreement, especially on the fundamental questions of German disarmament, control of German industry and utter destruction of the Nazi Party and all its institutions.

These several memoranda will now receive the consideration of the President and the Secretary of State, and American representatives conferring with our allies in respect to the long-range policy, will be advised of the position of this government at an appropriate date.

September 27, 1944

Hopkins sent me a message at 11:45 that he was looking for the material I promised to send him this morning in connection with what he sent over here last night. I called him back at 11:50 and said, "I just got your message and we have been working on this. It is just finished now. If you would like, I will have White bring it over in person because we feel it is most important and useful to the President if this War Department Directive would be given out because this will appeal - what I was trying to say is that if this goes to the German people it ought to encourage them to turn on the Gestapo and the Nazis. This is something the German people will like as against what some people in Washington are feeding them all the time. I had Mr. White go over at 12:10.

What Hopkins said to me was, "Can we release this without clearance from the British?" and I said, "No," and he said, "I am afraid it will take quite a while to get the British to clear it."

September 27, 1944
2:30 p.m.

CONFERENCE WITH SECRETARY PATTERSON

Present: Mr. White
 Mr. Gaston
 Mrs. Klotz

H.M.JR: Harry, I would like to tell you what happened at the lunch.

Incidentally, I want Gaston to see all the documents of Quebec so he really knows what we are talking about, plus the "black book" - the whole business, do you see? - everything that we have done.

MRS. KLOTZ: The original report?

H.M.JR: Everything.

MR. WHITE: The memos that have been written about the descriptions?

H.M.JR: Yes, so he can study the thing and be helpful to us. I want his advice.

Well, I had Mr. Patterson for lunch and he knew absolutely nothing that had gone on up there. He didn't even know about this Committee which had been set up on Lend-Lease, although that is absolutely his responsibility. Talk about people running their Departments!

MR. GASTON: Who was up there, McCloy?

H.M.JR: No, but McCloy is directly under Stimson. He always arranges for McCloy, so McCloy will tell Somervell or Clay and then he (Patterson) hears about it that way. I gave him a copy of the agreement as to Lend-Lease.

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And on this business of dealing with the military, he is very much interested; he would be very helpful. He is going to send for McCloy and talk to him about it and say he wants to be in on it. He agrees that the English should have the material they need to wage war successfully against the Japanese, depending on what their military strength is going to be. But this was all new to him. I mean, it is ten days since I gave this to Stimson. It is unbelievable that here is this fellow in charge of production, particularly where Hopkins said they were going to run out of orders if we didn't give them some more orders, and here is Patterson fully responsible for production and he hasn't been even consulted.

I said, "Well, Bob, I want to talk to you about a matter which I am doing wholly on my own initiative and I am not being sent by anybody to sound you out, so let's understand each other."

I said, "If you were asked, would you go now as an assistant to Eisenhower to do the Civil Affairs thing in Germany, and even have to put on a uniform and subsequently become High Commissioner, would you be interested?"

"The part of putting on a uniform wouldn't bother me a bit," he said, "and I would be interested. I owe it to my wife and children to go and earn a living, but I will be interested."

I said, "Well, can I, without committing you one way or the other, back your candidacy to the President?"

He said, "Yes. Understand, I haven't made any commitment, but if it is offered to me, I will give it serious consideration."

Then I said to him, "Has Mr. Hopkins talked to you about this?"

He said, "Nobody has talked to me about it. This is all new."

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Hopkins has been telling us right along that this was his candidate.

Then I asked would he let me know whether the Munitions Assignment Board this morning did or did not take up the question of munitions for the British as of yesterday, on the number of requests for the British. Hopkins said he would have them all stricken off. He is going to call me back in a few minutes and let me know whether they were or were not.

I let him read this memorandum -- he did not take it -- on the Quebec agreement on how to treat Germany. There is a signed agreement. (Refers to Quebec Directive on Germany)

He said that was all right as far as he was concerned.

Then he said, jokingly, "To degrade Europe by making Germany an agricultural country, isn't that offensive to you?"

I said, "Not in the case of Germany."

This is a very good time to stop a minute. But isn't that encouraging about Bob?

MR. WHITE: I didn't think he would be interested. I am surprised that he is interested.

H.M.JR: And willing to put on a uniform.

MR. WHITE: He is putting himself under himself!

(The Secretary leaves the conference temporarily)

H.M.JR: Harry, now let's have your piece of the picture.

MR. WHITE: Mine is very brief. I went over and showed him the release and the document. He looked at the release and said he didn't think it quite met the situation.

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I pointed out that from our view there were two points of attack which the President was being subjected to; one, that there was a split in the Cabinet on a serious matter and that the President seems to be unable to keep the Cabinet working together, and secondly, that the President has been derelict in not making adequate preparation for the defeat of Germany.

I said both those points are fully met by that press release; one statement indicates (a), that preparations have been going forward, that a document has been completed upon which there is agreement - an important document - and (b), that the split in the - the so-called split in the Cabinet is really a negligible factor.

He thought it over again and he thought that might be so. Then I turned to the Directive itself and gave him reasons for feeling that the document would be very effective political material. Then he became quite excited - or more excited - and he mentioned at one point that he thinks it is terribly interesting. I think those were his precise words.

And he asked several questions: First he wanted to know, wouldn't it be necessary to clear this with England. I said, possibly, I said I thought you felt so; but on the other hand, it was an American plan, and I said the first sentence indicated that this proposal was to be effective only until the United States, the United Kingdom, and the U.S.S.R. agreed on policy. And he read that over carefully again and said, "That is right; that meets that issue."

I said, "But it may take a long time to clear with the British and with such experience as we have had, it takes a very long time unless you can really tell them you are going to issue it at a certain date," and so forth.

He said, "I think this will have to be handled directly with Churchill on a political basis. That is the only way it can be handled. I think I know how it could be handled. I think the President could handle this."

Then he asked what would be the effect on many of the German Nazis and leaders if they knew what was being contemplated.

He answered his own question by saying, "Yes, I suppose they all do expect to get arrested, anyhow, and that wouldn't make any difference."

Then he noted the paragraph which we had deleted and replaced with the words, "This is deleted for military reasons," and that seemed to strike him as particularly effective. He said, "We can go through and take out whatever paragraphs or sentences we think might be harmful and just substitute that phrase." He said, "That would be wonderful."

I then dwelt a little on what I thought would be the favorable reaction at home, and I said you felt strongly, and that is the way a couple of other men in the Treasury with whom we had discussed it, whose opinion we valued, felt about it.

I said it was unanimous that it would be very helpful to the President.

He looked things over, and the more he looked them over, the more enthusiastic he seemed to get about the effect on the public.

I said, "If one is permitted to intrude such irrelevant matters as vote-getting powers--"

He said, "Listen, that is all I am interested in for the moment." I said, "That ought to win some support."

He then said, "I think I can get the President to do this. The President once told me when I want anything badly, he will do it and I think I can get him to do this." He said, "This will be worth a hundred press conferences." He may have said other things, but that was the general gist.

H.M.JR: He said if he wanted anything badly, the President would do it?

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MR. WHITE: I wouldn't swear to it, but I think it was.

MR. GASTON: First I thought it was Hull.

H.M.JR: Who did you first think it was, God?

MR. GASTON: Well, somewhere up in that region. I was thinking first about Hull.

MR. WHITE: I may be misquoting him, but it was something in that line.

H.M.JR: That is wonderful.

MR. WHITE: It was the kind of remark that surprised me a little.

I asked him to read over carefully the document, having in mind what the response of the public would be to its publication. He said he would do exactly that right away. He said, "Why this would be printed in every newspaper in the world."

I said, "That is what we thought."

He didn't say specifically what he was going to do.

H.M.JR: I would have said, "Mr. Ambassador, I think you are pretty good."

MR. WHITE: Well, he did most of the generating of enthusiasm, himself, as he thought more about it and looked at it.

H.M.JR: Well, I am going to walk across the street in a few minutes to see Leahy, and when I am over there, I think I will drop in and see Grace Tully and give her this little suggestion about Bob Patterson.

MR. GASTON: It is at four o'clock he has a press conference today, isn't it?

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H.M.JR: Oh, has he?

MRS. KLOTZ: I thought you said there wasn't any.

MR. GASTON: He hasn't called it off, has he?

MR. WHITE: You are going to tell him that Hopkins is in favor of it, too--I think it would be kind of curious if you did--is in favor of Patterson--since it was his candidate--I don't know that he thought of it first; I think it was you who suggested Patterson. I may be wrong.

H.M.JR: Ha ha ha, you are very funny, Harry. No, it was something quite different running through Harry's mind. He was thinking about something entirely different. As he was thinking, he was talking, and he didn't know what he was saying.

MR. WHITE: It is called ambidextrous thinking.

H.M.JR: One hand doesn't know about the other. But it is O.K.; I think this is all right. I think that is good.

MR. WHITE: Do you have to tell McCloy about the use of this Army document, or is that Hopkins' or the President's business? McCloy knows nothing about the suggestion.

H.M.JR: Just sit tight.

MR. WHITE: It is better if they don't know. If they don't know, they will kill it.

H.M.JR: Does McCloy keep us posted blow by blow?

MR. WHITE: Not unless they are above the belt.

H.M.JR: All right, you bring Mr. Gaston up to date.

Thank you.

9/27/44

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Mrs. Klotz wanted copy of this Directive;
taken over to Mr. Harry Hopkins today with
press release as per copy appended.

L. Shanahan

C
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P
Y

The President announced today that the special Cabinet Committee advising him on certain aspects of American policy toward Germany, has formulated an American draft of an interim directive for Germany covering the period immediately following Germany's collapse or surrender.

The substance of such interim directive is being released to the public because it is believed that the public has a right to be informed on American policy toward Germany to the fullest extent possible within the limitations of military security.

The President stated that the press and radio discussions regarding the "differences" existing in the Cabinet Committee had been greatly exaggerated. Actually all of the Committee members agreed with the provisions of the interim directive. Moreover, all of the members were in full agreement that strong measures would be required to insure that Germany was completely disarmed and could not again become a threat to world peace. The differences in the Committee were confined to a few of the long range measures necessary in achieving this objective. These differences, he said, were natural and a healthy sign since the problem was most difficult and reasonable men might be expected to disagree from time to time in the course of developing a workable solution to the problem. The President expressed the opinion that these differences would probably be ironed out in the course of further discussions.

9/27/44

Regraded Unclassified

AMERICAN DRAFT OF DIRECTIVE FOR GERMANY IN THE
PERIOD IMMEDIATELY FOLLOWING THE CESSATION OF
ORGANIZED RESISTANCE.

1. In the event of a collapse in Germany, or in the event that the German forces are either defeated or surrender before you have received a directive containing the policies agreed upon by the three governments of the U.S., the U.K., and the U.S.S.R., you will be guided by the following policies, principles and instructions.

2. Prior to the defeat or surrender of Germany the primary objective of your civil affairs administration has been to aid and support your military objective: the prompt defeat of the enemy. Your objective now is primarily the occupation and administration of a conquered country with such military operations as are necessary for the complete elimination of all resistance.

3. Pending the receipt of directives containing long range policies, your objectives must be of short term and military character, in order not to prejudice whatever ultimate policies may be later determined upon. Germany will not be occupied for the purpose of liberation but as a defeated enemy nation. The clear fact of German military defeat and the inevitable consequences of aggression must be appreciated by all levels of the German population. The German people must be made to understand that all necessary steps will be taken to guarantee against a third attempt by them to conquer the world. Your aim is not oppression, but to prevent Germany from ever again becoming a threat to the peace of the world. In the accomplishment of this objective the elimination of Nazism and militarism in any of their forms and the immediate apprehension of war criminals for punishment are essential steps.

4. Your occupation and administration will be just, but firm and distant. You will strongly discourage fraternization between Allied troops and the German officials and population.

5. You will establish military government over all parts of Germany under your command. Your rights, powers and status as

- 2 -

6. a. By virtue of your position you are clothed with supreme legislative, executive and judicial authority in the areas occupied by forces under your command. This authority will be broadly construed and includes authority to take all measures deemed by you necessary, desirable or appropriate in relation to military exigencies and the objectives of a firm military government.

b. You are authorized at your discretion to delegate the authority herein granted to you in whole or in part to members of your command and further to authorize them at their discretion to make appropriate sub-delegations.

c. You should take the necessary measures to enforce the terms of surrender and complete the disarmament of Germany.

d. The Military Government shall be a military administration which, until you receive further advices, will show the characteristics of an Allied undertaking acting in the interests of the United Nations.

7. The administrative policies shall be uniform throughout those parts of Germany occupied by forces under your command subject to any special requirements due to local circumstances.

8. Representatives of civilian agencies of the U.S., U.K. and U.S.S.R. governments shall not participate unless and until you consider such participation desirable. Representatives of the civilian agencies of other Allied Governments or of UNRRA may participate only upon your recommendation and the approval of the Combined Chiefs of Staff.

9. It is contemplated that a tripartite administration by the U.S., U.K. and U.S.S.R., covering the whole of Germany will be established. You have previously received advices in this connection.

10. You are authorized as SCMP to enter into arrangements with the U.S.S.R. military commanders as regards the management of the military government.

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11. Military administration shall be directed toward the promotion of the decentralization of the political structure of Germany. In the administration of areas under your command, all dealings in so far as possible should be with municipal and provincial government officials rather than with Central government officials.

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APPENDIX "A"POLITICAL DIRECTIVE

1. You will search out, arrest, and hold, pending receipt by you of further instructions as to their disposition, Adolf Hitler, his chief Nazi associates, all persons suspected of having committed war crimes, and all persons who, if permitted to remain at large, would endanger the accomplishment of your objectives. The following is a list of the categories of persons to be arrested in order to carry out this policy. If after you have entered the country and in the light of conditions which you encounter there you do not believe all of these persons should be subjected immediately to this treatment, you should report back giving your recommendations and the reasons therefor.

- (a) Officials of the Nazi party and of units or branches of the Nazi party, down to and including the leaders of local party units, as well as officials of equivalent stature in associations affiliated with the Nazi party;
- (b) All political police, including the Gestapo and Sicherheitsdienst der S.S.;
- (c) The officers and non-commissioned officers of the Waffen S.S. and all members of the other branches of the S.S.;
- (d) All high officials of the police and of the S.A.;
- (e) The leading officials of all ministries and other high political officials of Germany and those persons who have held high positions, either civil or military, in the administration of German occu-

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- (f) Nazis and Nazi sympathizers holding important and key positions in (1) National and Gau civic and economic organizations; (2) corporations and other organizations in which the government has a major financial interest; (3) industry; (4) finance; (5) education; (6) judiciary; (7) the press, publishing houses and other agencies disseminating news and propaganda. It may generally be assumed in the absence of evidence to the contrary that any persons holding such positions are Nazis or Nazi sympathizers;
- (g) All judges, prosecutors and officials of the People's Court;
- (h) Any national of any of the United Nations who is believed to have committed offenses against his national law in support of the German war effort;
- (i) Any other person whose name or designation appears on lists to be submitted to you or whose name may be notified to you separately.

Of equal, if not greater importance, in the ultimate destruction of German Militarism is the elimination of the German Professional Officer Corps as an institution. All General Staff Corps officers who are not taken into custody as prisoners of war should therefore be arrested and held pending receipt of further instructions as to their disposition. You will receive further instructions as to how to deal with other members of the German Officers Corps.

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2. If in your opinion it would be of aid in carrying out the above program and the other purposes of your occupation, you may issue such regulations dealing with the registration and identification of persons within Germany as you deem advisable.

3. You will issue a proclamation dissolving the Nazi party and its affiliates. Every possible effort should be made to prevent any attempts to reconstitute them in underground or disguised form. You will abrogate the laws establishing the political structure of National Socialism and will take all necessary measures to uproot and discredit Nazi doctrines. No secret organizations or societies of any kind shall be permitted. Property, real and personal, of the Nazi party and its affiliates, wherever found, shall be taken into custody and may be used for such purposes as you may direct. You may require health or welfare organizations which were set up by the Party but which are of direct benefit to the people to transfer their functions and personnel, purged of Nazi elements and practices, to new organizations formed to carry out such functions.

4. * * *

(This section is deleted for
military reasons)

5. You will take immediate steps to abrogate all laws, decrees, regulations or aspects thereof, which discriminate on

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the basis of race, color, creed, or political opinions. All persons who are detained or placed in custody by the Nazis on these grounds will be released, subject to the interests of the individuals concerned. You will take steps to insure that such people, if not released, are provided with adequate clothing, food and quarters.

6. The criminal and civil courts of Germany will be closed. After the elimination of all Nazi elements, at such time and under such regulations, supervision and control as you may determine, you may permit the courts to resume functioning. You will retain full power of review and veto of all courts which are allowed to function. All politically objectionable courts; e.g., People's Courts, will be abolished. Criminal and ordinary police, and such others as it may be proper to retain, under appropriate supervision, must be purged of Nazi or otherwise undesirable elements, who will also be arrested and held for disposition.

7. No person in Germany, other than United Nations nationals as authorized by you, shall be permitted to possess arms of any character except that such local police as you may utilize to maintain order may be armed with such law enforcement weapons as you may deem appropriate.

8. A. All members of the Nazi party and ardent supporters of Nazism will be removed immediately from all government positions (other than clerks and non-policy making functionaries) and from all leading positions in industry, banking, education, judiciary, and other public services. Under no circumstances shall such persons be retained in such offices for the purpose of administrative convenience or expediency.

b. You will decide whether the objectives of military government are better served by the appointment of officers of the occupation forces or by the use of the services of Germans who have been cleared by the security branches of the Allied armies. Failure by such Germans as are permitted to fill Government posts to conform with Allied directives and instructions will be cause for removal and such punishment as you may deem advisable.

9. Subject to the provisions of paragraph 11 and to the extent that military interests are not prejudiced, freedom of speech and press, and of religious worship, will be permitted. Consistent with military necessity, all religious institutions will be respected and all efforts will be made to preserve historical archives, Classical monuments and fine arts, except that all archives, monuments and museums of Nazi inception, or which are devoted to the perpetuation of German militarism shall be seized, closed and their properties held pending further instructions.

10. a. Prisoners of war belonging to the forces of the United Nations and associated nations will be freed from confinement and placed under military control or restriction as may be appropriate pending other disposition.

b. All allied nations nationals who have been removed to Germany under duress to serve in labor battalions, or any other units organized by the Nazis, after identification will be repatriated in accordance with the regulations to be established after consultation with the government of the country concerned. Pending repatriation, such persons should be adequately taken care of and, if you deem it advisable, their freedom of movement restricted. Former prisoners of war released by the Axis may be found among the

forced laborers. They should be identified and requests addressed to their respective military commands for instructions as to their disposition.

c. All allied civilians resident or interned in Germany as a result of their presence in that country upon the outbreak of war shall be identified, examined closely and may, if you deem it advisable, be placed under restricted residence. These people will be dealt with in accordance with instructions to be furnished you by their respective governments. In general, all practical measures will be taken to insure the health and welfare of United Nations nationals, including provision for employment as authorized and practicable, and repatriation should be undertaken as rapidly as military conditions permit.

d. All Japanese diplomatic and consular officials will be taken into protective custody and held for further disposition. All other Japanese nationals will be interned. All nationals of other countries with which any of the United Nations are or have been at war (except Germany) will be identified and registered and may be interned or their activities curtailed as may be necessary under the circumstances. Diplomatic and consular officials of such countries will be taken into protective custody and held for further disposition.

e. All German diplomats and consular officials and other agents will be recalled. If their recall cannot be effected or if their recall is not practicable by reasons of nationality, their authority as agents for Germany will be terminated. All records and files of these agents and officers will be ordered

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returned to Germany or otherwise made available for appropriate inspection.

f. Nationals of neutral countries must register with the appropriate military authorities. Every facility and encouragement will be given these people to return to their home countries, except those neutrals who have actively participated in any way in the war against any one of the United Nations in which event they will be detained, pending receipt by you of further instructions as to their disposition. Neutral nationals will be accorded no special privileges of communication or business relationships with their home countries or people resident outside Germany. You shall place such restrictions on neutrals entering Germany as you deem advisable. Diplomatic and consular officials of neutrals are to be dealt with in accordance with instructions which will hereafter be issued.

11. a. Propagation of Nazi doctrines and Nazi propaganda in any form shall be prohibited. All schools and universities will be closed. Elementary schools should be reopened as soon as Nazi personnel have been eliminated and text books and curricula provided which are free of Nazi or militaristic doctrines. Steps should be initiated to prepare satisfactory text-books and curricula and obtain teaching personnel free of any taint of Nazism or militarism for secondary schools. You should report to the G.C.S. prior to reopening secondary schools. Further guidance on German education and schools will be given to you in a separate directive.

b. No political activities of any kind shall be countenanced unless authorized by you. No political personalities or organized political groups shall have any part in determining the policies of the military administration. It is essential to avoid any commitments to any political elements.

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g. The publication of all newspapers, magazines, journals and other publications and the operation of all German radio stations and the dissemination of news or information by mail, movies, telephone, cable or other means throughout the area under your command will be suspended. Thereafter, you will permit the dissemination of news or information subject to such censorship and control as you consider necessary in the interests of military security and intelligence and to carry out the principles laid down in this directive.

12. No person shall be permitted to leave or enter the area under your command without your authority.

13. No German parades, military or political, civilian or sports, shall be permitted anywhere in Germany. No German military music, or German national or Nazi anthems shall be placed or sung in public or before any groups or gatherings. Public display of German national or Nazi flags and other paraphernalia of Nazi or affiliated organizations shall be prohibited. All flags, publications, other paraphernalia, records, documents and publications in the offices of the Nazi party or affiliated organizations shall be seized and amounts shall be set aside to distribute to approved foreign museums and the remainder will be held for disposition under the direction of the Combined Chiefs of Staffs.

APPENDIX "B"
FINANCIAL DIRECTIVE

1. United States, British and other Allied forces will use Allied Military marks and Reichsmark currency or coins in their possession. Allied Military marks and Reichsmark currency and coin now in circulation in Germany will be legal tender without distinction and will be interchangeable at a rate of 1 Allied Military mark for 1 Reichsmark. Records will be kept of the amounts of the German marks used by the forces of each nation. Reichskreditkassenscheine and other German Military currency will not be legal tender in Germany.

2. In the event, however, that for any reason adequate supplies of Allied Military marks and/or Reichsmarks are not available, the United States forces will use yellow seal dollars and regular United States coins and the British forces will use British Military authority notes and regular British coins. Records will be kept of the amounts of currencies used by the United States and British forces.

3. If it is found necessary to use U.S. yellow seal dollars and BMA notes, the following provisions will apply to such use:

a. The rate of exchange between the U. S. yellow seal dollar and the BMA notes will be 4.035 dollars to one pound, and the two currencies will be interchangeable at that rate. The United States Treasury will make the necessary arrangements with the British Treasury.

b. You will issue a proclamation, if necessary, requiring all persons to accept U. S. yellow seal dollars and BMA notes at the decreed rates. Transactions at any other rates will be prohibited.

c. The issuance of yellow seal dollars and BMA notes will

cease and Allied Military mark and/or Reichsmark currency will be used in their place as soon as available.

d. U. S. yellow seal dollars and BMA notes will be withdrawn from circulation as soon as such withdrawal can be satisfactorily accomplished.

e. Records will be kept of the amounts of such currencies used by the United States, British and other Allied forces.

4. The rate of exchange to be used exclusively for pay of troops and military accounting purposes will be ___ marks to the dollar and ___ marks to the pound sterling. A general rate of exchange may be furnished to you later. Holders of mark currency or deposits will not be entitled to purchase foreign exchange without special permission. They will obtain dollars or pounds, or any other foreign currency or foreign exchange credits, only in accordance with exchange regulations issued by you.

5. The Financial Division of the Civil Affairs Section for Germany will include in its functions the control of all funds to be used by the Allied Military Forces within the area, except yellow seal dollars and BMA notes which will be under the control of U.S. and British forces respectively. It will maintain all the accounts and records necessary to indicate the supply, control, and movement of these currencies including yellow seal dollars and BMA notes, and other funds, as well as financial data required for the determination of expenditures arising out of operations or activities involving participation of Allied Military forces.

g. Insofar as operations relate to the provisions of currencies for the pay and other case requirements of military components of the Allied forces, the Financial Division will supply Allied Military marks from currency on hand and will record the debit against the military forces concerned at the rate of exchange prescribed in paragraph 4 above.

b. Insofar as operations relate to the provision of currencies for civil administration, the Finance Division will supply Allied Military marks from currency on hand and will record the debit against the Allied Military Government.

c. If found practicable and desirable, you will designate, under direct military control and supervision, the Reichsbank, or any branch thereof, or any other bank satisfactory to you, as agent for the Financial Division of the Civil Affairs Section. When satisfied that the Reichsbank, or any branch thereof, or other designated bank, is under adequate military control and supervision, you may use that bank for official business. It is not anticipated that you will make credits available to the Reichsbank or any other bank. However, if in your opinion, such action becomes essential, you should report the facts to the C.C.S. for further instructions.

d. The records of the Financial Division of the Civil Affairs Section established within the area will indicate in all cases in what currency receipts were obtained or disbursements made by the Financial Division.

6. You will take the following steps and will put into effect only such further financial measures as you may deem to be necessary from a strictly military occupation standpoint:

a. Banks should be placed under such control as deemed necessary by you in order that adequate facilities for military needs may be provided and to insure that instructions and regulations issued by military authorities will be fully complied with. Banks should be closed only long enough to introduce satisfactory control, to remove Nazi elements and other objectionable personnel, and to issue instructions

for the determination of accounts to be blocked under paragraph a below.

b. You may at your discretion close all stock exchanges and similar financial institutions for such period as you may deem desirable.

c. Pending determination of future disposition, all gold, foreign currencies, foreign securities, accounts in financial institutions, credits, valuable papers and all similar assets held by or on behalf of the following, will be impounded or blocked and will be used or otherwise dealt with only as permitted under licenses or other instructions which you may issue:

(1) German national, state, provincial, and local governments, and agencies and instrumentalities thereof.

(2) Other enemy governments, the agencies and instrumentalities thereof and their Nationals.

(3) Owners and holders, including neutral and United Nations Governments or national authorities, absent from the areas of Germany under your control.

(4) Nazi party organizations, including the party formations, affiliates, and supervised associations, and the officials thereof and key figures in public or party life who actively supported Nazism.

(5) Persons under detention or other types of custody by Allied Military authorities and other persons whose activities are hostile to the interests of the military governments.

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d. No governmental or private bank or agency will be authorized to issue banknotes or currency except that, if found practicable and desirable, you may so authorize the Reichsbank and the Rentenbank when they are under adequate military control and supervision.

e. You may, at your discretion, issue a proclamation prohibiting or prescribing regulations regarding transfers of or other dealings in private or public securities.

7. All dealings in gold and foreign exchange and all foreign financial and foreign trade transactions of any kind, including all exports and imports of currency, will be prohibited except as permitted under such regulations as you may issue relative thereto. Except as you may otherwise authorize, local banks will be permitted to open and operate only mark accounts, but if yellow seal dollars and BMA note are legal tender, they may be accepted at the decreed general rate of exchange and will be turned in as directed by you in exchange for mark currency at the decreed general rate of exchange.

8. Non-yellow seal U. S. dollar notes and regular British pound notes will not be legal tender. No person, agency or bank engaged in the exchange of money will acquire or otherwise deal in these notes except as you may so authorize. U. S. Army and Navy Finance Officers and British Paymasters may, however, be authorized to accept non-yellow seal U. S. dollar notes and regular British pound notes from United States and British Military or authorized personnel for conversion into Allied Military mark or Reichsmark currency at the decreed general rate of exchange.

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after satisfying themselves as to the source of the notes.

9. No military pensions (except for physical disability limiting the pensioner's ability to work) shall be paid. Nor shall any pensions or other emoluments be paid for membership in or services to the Nazi party or affiliated organizations.

10. The railways, postal, telegraph and telephone service, radio and all government monopolies will be placed under your control and their revenues made available to the military government.

11. Taxes discriminating on the basis of race, color, creed, or political opinions shall be abolished.

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APPENDIX "G"ECONOMIC DIRECTIVE

1. You shall assume such control of existing German industrial, agricultural, utility, communication and transportation facilities, supplies, and services, as are necessary for the following purposes:

- a. Assuring the immediate cessation of the production, acquisition or development of implements of war;
- b. Assuring, to the extent that it is feasible, the production and maintenance of goods and services essential (1) for the prevention or alleviation of epidemic or serious disease and serious civil unrest and disorder which would endanger the occupying forces and the accomplishment of the objectives of the occupation; and (2) for the prosecution of the war against Japan (but only to the extent that specific directives of higher authority call for such goods or services.)
- c. Preventing the dissipation or sabotage of German resources and equipment which may be required for relief, restitution, or reparation to any of the allied countries, pending a decision by the appropriate Allied governments whether and to what extent German resources or equipment will be used for such purposes.

Except for the purposes specified above, you will take no steps looking toward the economic rehabilitation of Germany nor designed to maintain or strengthen the German economy. Except to the extent necessary to accomplish the purposes set out above, the responsibility for such economic problems as price controls,

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2. You will make a survey to determine the extent to which local productive capacity and local supplies are or can be made available for export for relief and rehabilitation in the devastated areas of Europe or for such other purposes as may later be determined.

3. You will take such steps as are necessary to protect from destruction by the Germans, and maintain for such ultimate disposition as you may be directed to make by the Combined Chiefs of Staff, all plants, property, patents and equipment and all books and records of large German industrial companies and trade and research associations that have been essential to the German war effort and the German economy. In this connection, you will pay particular attention to research and experimental establishments of such concerns.

4. You should take measures to prevent transfers of title of real and personal property intended to defeat, evade or avoid the orders, proclamations or decrees of the military government or the decision of the courts established by it.

5. Substantial amounts of private and public property of various categories have been seized, looted or otherwise improperly acquired by various Nazi officials and organizations. While it is contemplated that a suitable commission will ultimately deal with this problem, you should take such steps as may be practicable to collect any available information as to property of the kind and to preserve any such property found in the area under your control.

6. a. All property in the German territory belonging to any country with which any of the United Nations are,

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property of U. K. and U. S. and their nationals, except where a distinction is expressly provided by treaty or agreement. Within such limits as are imposed by the military situation you should take all reasonable steps necessary to preserve and to protect such property.

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APPENDIX "D"
RELIEF DIRECTIVE

1. You will be responsible for the provision and distribution of supplies for civilian relief only to the extent necessary to prevent disease and such disorder as might endanger or impede military occupation. For this purpose you will make maximum use of supplies, stockpiles and resources available within Germany in order to limit the extent to which imports, if any, will be required. German import requirements shall be strictly limited to minimum quotas of critical items and shall not, in any instance, take precedence over fulfillment of the supply requirements of any liberated territory.

2. German food and other agricultural supplies will be utilized for the German population. However, it will be necessary to hold German consumption to a minimum so as to increase to the maximum the surplus of agricultural products which can be made available to the devastated countries of Europe. You will report on any surpluses that may be available with regard for which separate instructions will be issued.

3. You will permit the German authorities to maintain or reestablish such health services and facilities as may be available to them under the circumstances. In the event that disease and epidemics should threaten the safety of Allied troops or endanger or impede military occupation, you shall take such steps as you deem necessary to protect the health of Allied troops and to eradicate sources of contamination.

September 27, 1944
4:23 p.m.

HMJr: Hello.

Operator: Mr. Lynch.

HMJr: Lynch.

Thomas J.
Lynch: Yes.

HMJr: I don't know whether you've sent me a report of your conversation with Justice Byrnes but I haven't got it.

L: Oh, I did not and I should have.

HMJr: Well, that's part of the job.

L: Yes, I should have.

HMJr: Yeah, right -- well, what happened?

L: He seemed to think that a pretty reasonable conception could be made which would let us -- allow our people to stay.

HMJr: Yeah.

L: And he called Hugh Cox who handles such matters on behalf of the Attorney General.

HMJr: Yes.

L: And it was agreed then that -- that the Attorney General would give his construction in writing -- give us a letter.

HMJr: Yeah.

L: And it was left that way. Justice Byrnes was very optimistic that what was intended to -- was just to keep sharp-shooters from offering their special services as the agency in dealing with surplus property organizations.

HMJr: Well, is -- the thing is in the works?

L: It's in the works.

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HMJr: And these twelve men have not yet resigned?

L: They have not resigned yet.

HMJr: And Mr. Olrich has been advised?

L: He has been advised.

HMJr: Well....

L: And it depends -- and we don't know what action the Attorney General will take.

HMJr: Well, you'd better take my advice and call up Hugh Cox every day.

L: I have been. I've talked to him about three times today on it.

HMJr: Fine.

L: And several times yesterday.

HMJr: Keep me advised too.

L: I will.

HMJr: Thank you.

September 27, 1944
4:33 p.m.

HMJr: Oscar.

Oscar
Cox: Yes.

HMJr: I've heard from several sources, plus Marquis Childs' column, that you people are thinking of sending Batt overseas.

C: No, that was -- there was -- he's under consideration for a job here in connection with surplus property.

HMJr: In Europe?

C: To be disposed of in Europe.

HMJr: Yes. Well, do you want to know anything about him?

C: Yes, sir.

HMJr: Well, don't you know plenty?

C: Well, we know some and we're gathering more every day.

HMJr: My God, how much more do you want to know about him?

C: Well, I think we probably know about enough now.

HMJr: Well, look, if you're really considering him carefully and you want to know anything about him, talk to either Pehle or White.

C: All right.

HMJr: We've got a whole dossier on him.

C: Yeah. All right, I'll talk to them.

HMJr: What?

C: I'll get hold of them.

HMJr: And if it gets down to really a question, then I would like to have a chance to talk to Crowley because I'd like to strongly recommend against his appointment.

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C: All right.

HMJr: I mean I -- we've got enough around here to --
to

C: I know.

HMJr: We have plenty. So I mean if Mr. Crowley is
seriously thinking of appointing him, then I'd
like to talk to him myself.

C: Right.

HMJr: I think it's a grave error.

C: Oh, all right. I called you the other day to
say you did a good job at that Cherwell meeting.

HMJr: Oh.

C: I think you did very well.

HMJr: (Laughs) I got your message.

C: Yeah.

HMJr: And I also talked to Leo yesterday and asked
him to be sure not to do any business with the
English on Phase Two now until they got all
their stuff in.

C: Yeah. We got the message on that. You know
that it's all to their interest to take plenty
of time, because

HMJr: No.

C: What?

HMJr: No.

C: Well, there's a directive outstanding from the
President saying, "Don't make any changes on a
unilateral basis."

HMJr: Yeah.

C: And some of the changes obviously ought to be
made quite aside from Phase Two.

HMJr: Well, what he's done is -- and I -- what I told Crowley -- I guess he repeated it -- he's told the British Army they must have their figures in by the fourteenth.

C: Right.

HMJr: See?

C: Yeah.

HMJr: And Harry Hopkins yesterday said he's not going to let anything go through the Combined what-do-you-call-it

C: Munitions Assignment Board.

HMJr: Yeah. I don't know whether you've heard that.

C: Yeah.

HMJr: Had you heard that?

C: Yeah.

HMJr: And I -- I gather he went through on that, didn't he?

C: I think so.

HMJr: What?

C: I think so but I'm not sure.

HMJr: Did Harry tell you?

C: No, I got it indirectly from some of the people over there.

HMJr: I see. But I think that the whole play is to make them put all their cards on the table at one time.

C: Oh, I think you're definitely right on that.

HMJr: Do you agree with me?

C: Oh, yes.

HMJr: Right.

C: A hundred percent.

HMJr: Then I'm encouraged.

C: Right.

HMJr: Now, on this Batt thing, I'll leave it to you -- if there's any thought of really appointing him I'll have a chance to talk to Crowley.

C: Yes, that's positive.

HMJr: Right.

C: I don't think you'll have to though.

HMJr: Thank you.

C: Bye.

HMJr: Bye.

September 27, 1944
4:45 p.m.

Operator: Judge Patterson.

HMJr: Hello.

Robert
Patterson: Henry?

HMJr: Yes, Bob.

P: This is Bob. Only routine business at the
Munitions Assignment Board today.

HMJr: Good.

P: Of course, they don't take British requirements.

HMJr: They don't?

P: No. All they do is assign out of October
production.

HMJr: Yes.

P: And they made the regular routine assignments
of aircraft to the British and aviation gasoline
and things like that....

HMJr: I see.

P: in the regular routine way.

HMJr: In the regular routine way?

P: Yep. Yep.

HMJr: Oh

P: They -- they would -- the requirements on any
new program would not come into the Munitions
Assignment Board at all. It goes to the War
Department for munitions.

HMJr: Well, I didn't understand that.

P: They only -- they only transfer out after the
stuff is produced.

HMJr: Well, I don't know -- all I know is what I've
told you that that gentleman said there was a
lot of stuff on the agenda for today for England.

P: Yep.

HMJr: And he'd have it all taken off.

P: Well, I don't know what he meant by that really.

HMJr: I don't either.

P: Because they -- they only pass on production for the current month.

HMJr: Well, isn't that....

P: Like October they indicate that two hundred of these planes indicated for Britain should actually be delivered to them....

HMJr: Yes.

P: for immediate action in October.

HMJr: So stuff for Phase Two wouldn't come there until it had been decided on all at the War Department?

P: Right.

HMJr: And then after it's been produced, then they decide how to distribute it, is

P: Yeah.

HMJr: that it?

P: Yep. And I don't think they can conflict with your Committee.

HMJr: You don't?

P: I don't think they can, no.

HMJr: Well, I got the impression otherwise, but I can see from what you tell me that they couldn't.

P: I don't think so.

HMJr: Well, I'll keep you posted.

P: All right. Thank you.

HMJr: Bye.

P: Bye.

September 27, 1944
5:10 p.m.

GERMAN REPARATIONS

Present: Mr. Gaston
Dr. White
Mrs. Klotz

H.M.JR: Just so that you boys won't think I am talking out of turn, a letter which Mrs. Klotz got from--

MRS. KLOTZ: Mr. Crider.

H.M.JR: Incidentally, he said the person who turned him down when he insisted he should see me was Smith. He asked Smith insistently, and Smith said I wouldn't see him.

MRS. KLOTZ: Oh, Harry had said he had tried to reach you.

DR. WHITE: He told me he tried to see you, but you wouldn't see him.

MRS. KLOTZ: You were right, but he had been trying it through Smith.

H.M.JR: The point is he came in and I said, "I'm afraid you're not going to strike pay dirt." And I asked him if he would tell me--I knew it was trade--which Department was talking.

*Actual
information
not needed
permissively
2.5.45*

Well, he said he could get it from a lot of Departments.

"And how did Flynn of the Wall Street Journal see this thing, this plan of ours, being shown to a number of people?"

So then he said, "There is a new man in the Times bureau who just went on an entirely new angle in this thing."

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He said, "If you would confirm this, this would clear up a lot, because you were sent to come to Quebec in regard to economic and Lend-Lease matters, and after you got there Mr. Churchill said he would like to discuss with you Germany and would like to have you discuss it with Lord Cherwell. Is that story correct? If you would say that was correct, then that would show you didn't ride rough-shod over Mr. Hull and fix a lot of things to show Krock's story wasn't right."

I said, "John, the answer is neither yes nor no."

That was number one.

Then number two, well, the fact he wanted me to say there really wasn't any disagreement among the Cabinet members, that we were approaching this thing more or less with a sympathetic attitude, that the only difference is on minor details.

So I said, "Well, I can't answer that one. What I can tell you is that I have scrupulously supplied the members of the Committee"-I didn't say who; they don't know Hopkins is a member--"with copies of everything that I have been working on with them and with the President."

I said, "I have a completely clear conscience--maybe too clear, because I gave them too much."

"Have you been furnished with everything they have?"

I said, "I don't know. What do you think?"

He said, "Well, I doubt it!"

So then I said, "Well, after all, as to whether we are in agreement or disagreement, Mr. Krock, I know, is an intimate friend of Mr. Hull's, because I saw them at dinner with their arms around each other."

He said, "Yes, they are very, very close."

I said he could get this much better right from Mr. Hull.

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I said, "I take it that he knows Mr. Stimson"-- this is the choice bit out of the whole thing.

"Oh, no," he said, "he doesn't know Stimson, but he is on very intimate terms with McCloy!"

So I think I won on this thing.

So he said, "Well, it is all over town."

I said, "I know it is. Now, do we understand each other? I have said neither yes nor no on any of your questions."

He said, "Yes."

I said, "Properly, the work that we have done has been given to the President of the United States, and it is his property. I can't discuss it, but you might be interested in knowing that out of twenty-five letters we got only five which are unfavorable, of which two are anonymous; so I think we are going to ride out the storm."

He said, "I think you are, too; I think you are going to win."

Oh, yes, he said, "Is it true that Churchill is favorable to your plan?"

I said, "I can't answer that."

He said, "We understand he is."

But you see, somebody is beginning to go one step further now.

McCloy was at that meeting, you see, this economic business and the German thing--Lend-Lease. They don't know yet there is a Lend-Lease Committee.

DR. WHITE: Little by little they are getting more and more.

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H.M.JR: So I thought I would tell you.

DR. WHITE: He got nothing I could see that--

H.M.JR: The danger is that he'll say, "Mr. Morgenthau told you this. Well, hell, if Morgenthau is talking, why can't I talk?"

MR. GASTON: I've already met him, but he just said, "Hello" and shook hands.

H.M.JR: But the interesting thing is he doesn't know Stimson, but he is a very, very good friend of Mr. McCloy's! I think that is a choice bit.

MR. GASTON: The Eaton European letter, out today, says there was agreement on a program at Quebec. He called me up and said he was going to write something, but he did not get that information from me.

H.M.JR: Well, he said, "Every Department has been talking except the Treasury."

DR. WHITE: I mentioned to you--Herbert might be interested--~~Graham~~ ^{Graham} Swing said that parts of the Secretary's recommendations and reports were read to him in the State Department.

MR. GASTON: He didn't say that over the radio!

DR. WHITE: No, he told me that this afternoon.

MR. GASTON: I would hope he might say it over the radio!

H.M.JR: I don't know whether I reported my conversation with Eugene Meyer, in which he said, "You must promise not to say that I am not in agreement with my board. You must promise not to tell my editorial board."

I said, "Yes." Then he went on to agree with me.

I said, "Well, Eugene, you sound just as fever-brained

- 5 -

and cracked-pot as I do - but, Eugene, you must promise not to repeat that!"

But he has no sense of humor about himself.

But I just was afraid that this fellow might go down the hall and say--have you had any chance to talk with Professor Goodhart today?

DR. WHITE: I had lunch with him. He was tied up with John Pehle all this morning. I have received his memorandum, had some copies made, and sent them around to the boys. We talked to him about it. I think that he has some interesting and effective method of approach; I think it has some shortcomings, too, but apparently he makes some cogent points there and we certainly could use some of that material if we were writing the defense of our position.

I was flirting with the idea--in anticipation of what will come out in the future, probably--of writing a defensive article--not a defensive article, but an article in defense--and which we could have somebody put out under his name or give it to somebody who could re-write or re-shape it.

H.M.JR: George Fielding ^{21:07} Elliott, Mrs. Morgenthau says, is very good.

DR. WHITE: I read one thing he had day before yesterday. I thought he was quite good, and there was one phrase in his memorandum--Goodhart's memorandum--that kind of stuck with me. He said, "If I were a German and had suffered the defeat"--that was implied--"I would always want revenge and try it again."

I was trying to think of what the specific psychology of the German with respect to that point would be, and it occurs to me that certainly the only thing he would be thinking of would be to wipe out that stain of defeat. It isn't as though we demonstrated to him the foolhardiness of that resort. If anything, the events of the past war have demonstrated the possibilities in that approach, and I can't see how those people will be thinking of anything

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else but trying it again as soon as it is propitious.

H.M.JR: Well, I have been trying to say to you, through no fault of your own, but only through mine, I want you to put some of your boys to work to study Stimson's record on German reparations when Stimson was Secretary of State.

Now, just put them on what he has said publicly and what he has written. I know he went and visited with Mussolini. I think he spent a week with him, or something. Somebody said to me, "You ought to look up Stimson's record on reparations, and you will find how bad he was, and he hasn't changed any since then."

DR. WHITE: We could easily do that.

H.M.JR: The point is, you could say to the President, "Look, Mr. President, this is where Mr. Stimson stood with Herbert Hoover in 1922 or 1923 on reparations, and the man hasn't changed since. What he is doing is defending his position then."

That is maybe what he is doing, Harry.

DR. WHITE: I'll have somebody do that.

H.M.JR: We may have been very dumb on this thing. He may have written or published something he feels he has to defend.

DR. WHITE: He talked just that way in 1919.

H.M.JR: I have been trying to say this to you, through no fault of your own, for two days. You know how these people are, if they have written something. I want to see when he was Secretary of State. (Refers to Who's Who)

This is triple confidential, what I am going to say now, because you can see how he can't get mad at the President, but how he can get mad at me. The first he knew about this Joint Statement of Roosevelt and Churchill

- 7 -

on Italy was when he saw it in the newspapers, I understand.

DR. WHITE: Who?

H.M.JR: Hull.

DR. WHITE: About the Joint Statement in regard to Italy?

H.M.JR: Yes. They were told that once it got over to the press room and Steve Early, he was to see it. But he didn't see it until it got to the press room. He claims he didn't see it at all.

MR. GASTON: When was that?

H.M.JR: It is in the morning papers. And he is just fit to be tied.

DR. WHITE: I don't understand the man, because he has all the cards in his hands--Hull has. He could go to the President and say, "I want this and that and the other thing," and he'd get it like that! All he has to do is to threaten to resign, and he can get anything. He has threatened to on smaller and more unimportant things.

MRS. KLOTZ: I think he enjoys griping.

DR. WHITE: Oh, no, I don't think a man can enjoy what he has had to experience that I know of in the last month.

MR. GASTON: He doesn't know how to assert himself.

DR. WHITE: He has in the past, Herbert.

H.M.JR: Mr. Stimson was Secretary of State with President Hoover from 1929 to 1933.

DR. WHITE: Well, there was a good deal of discussion during those years on the cancellation of reparations. He may have written earlier.

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H.M.JR: It is very easy to go through the thing. Now, there may be something that he has written on this thing that he is sticking to.

DR. WHITE: All we need is one paragraph, more or less.

H.M.JR: If we could just slip a good one to the President and say, "Sure, this is why Stimson is against this!"

DR. WHITE: I think we have got to take the position, wherever we can with these columnists and what-not, that what you are recommending is not a complete reversion to an agricultural community; but one of being directed toward a predominantly agricultural community as against a predominantly industrial country to get them away from the notion that you are going to eliminate every factory and every shop; that it is a question as to where the emphasis remains, rather than the extreme. I know that seems to make quite a difference.

MR. GASTON: I said to one of these people--I have talked to two people, one was Ernest Lindley and one Harry Eaton--the question was, shall we use the instrument of economic repression effectively to stop Germany from re-arming for the foreseeable future. I said that is the question. Well, Eaton said, "Everybody agrees to that, don't they?"

I said, "Oh, no, by no means. There is an organized propaganda in favor of not meddling with the German economic machine, because if you do that, it will disturb the economic set-up throughout all of Europe."

H.M.JR: Have you had a chance to read Stimson's memorandum on that?

MR. GASTON: No.

DR. WHITE: I don't think Stimson's memorandum was in there.

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H.M.JR: You furnish Herbert with everything, will you?

MR. GASTON: Did Fadiman come down here?

H.M.JR: He'll be here tomorrow morning.

DR. WHITE: Is he coming alone or with a group?

(Secretary holds telephone conversation with Mr. Hopkins, as follows:)

September 27, 1944
5:25 p.m.

HMJr: Okay.

Operator: Go ahead.

HMJr: Hello.

White House
Operator: Just a minute, Mr. Secretary.

HMJr: Hello.

Operator: All right, Mr. Secretary.

HMJr: Hello, Harry.

Harry
Hopkins: Hello, Henry.

HMJr: Morgen

H: Say, I talked to the President about that
business that White and I talked about.

HMJr: Yes.

H: He likes it.

HMJr: Good!

H: Now, I've got to do some business in England,
you see?

HMJr: Yes.

H: I've got to get this cleared with the P.M.

HMJr: Yeah.

H: And I'm going to work on it -- I'm going right
at it in the next half hour.

HMJr: Wonderful.

H: In the meantime, I think it had better be kept
very confidential as to what he's intending to
do.

HMJr: Listen, old man, there are no leaks out of here.

- 2 -

H: No. Well, I

HMJr: There are plenty -- if you -- if you confine it to the White House and the Treasury

H: It will be all right.

HMJr: it will be all right. But if you tell

H: Let's keep it there.

HMJr: If you're going to tell

H: No, I'm not. I'm not.

HMJr: Well, it's all right here.

H: All right, old boy. I thought you'd be interested.

HMJr: I -- I'm -- I'm very -- I'm more than that. I'm very happy.

H: Yeah. All right, Henry.

HMJr: Right.

H: Bye.

HMJr: Thank you.

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MR. GASTON: Did he say he was going right on it, or right out?

H.M.JR: On it.

DR. WHITE: It is funny, if he gets the PM to accept, he'll be a better man than I think he is!

H.M.JR: He has direct methods of communication.

DR. WHITE: Even so, I mean I can't see the Prime Minister--he may not even have a copy of this document. I am not sure of that. Maybe I'm wrong.

MRS. KLOTZ: Do you want that out?

H.M.JR: Mrs. Dickinson, this has to wait until you can type it yourself--anything on Germany.

DR. WHITE: I hope Hopkins doesn't think that paragraph has been cleared in the State Department, because we have not yet received Hull's letter. That is something they can worry about after it is printed.

LIBRARY OF CONGRESS
WASHINGTON

OFFICE OF THE LIBRARIAN

September 27, 1944

Dear Henry:

As you are very well aware, you have been the custodian of the Constitution of the United States and the Declaration of Independence, and five or six more of the most valuable possessions of the people of the United States, for better than two and a half years. Now that these treasures have been returned to the Library of Congress, I want to present to you, and through you to members of your staff, the Library's appreciation and my own personal gratitude.

The Bureau of the Mint, which has had immediate custody of these treasures of incalculable value, has done everything within its power to assure their security and care. Not only Mrs. Ross and Mr. Van Horne, the local custodian, but many other members of the Mint Service, have gone to unusual lengths far beyond the ordinary call of duty to fulfil the responsibilities they so generously assumed.

You were also, moreover, the custodian of the great Documents in their travels to and from the Bullion Depository at Fort Knox. Here the responsibility was borne by the United States Secret Service. It was a responsibility which weighed heavily on my soul while the journeys were in progress, and I can imagine how anxiously it must have weighed upon Mr. Wilson and his aids. All of them did their duties, and more than their duties, in exemplary and distinguished fashion. I should like to mention particularly Mr. Harry E. Neal of Mr. Wilson's immediate office, and Mr. Alonzo A. Andrews, the Supervising Agent of the 7th Secret Service District. If you would be good enough to convey to these various members of your staff, and to all others concerned, the official and personal thanks of the Library and the Librarian of Congress, you would be doing me an additional favor, which I should deeply appreciate.

Faithfully yours,

Archibald MacLeish
Archibald MacLeish

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

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE SEP 27 1944

TO Secretary Morgenthau

FROM Mr. Murphy *NLM*

During the course of the meeting in your room in Chicago last week, you requested me to look up the Treasury's position with respect to the effect on bond prices during and after World War I of the exemption of Government bond interest from normal tax.

The interest on most of the bonds sold during World War I was exempt from the normal tax, but was subject to the surtax. It was the Treasury's position that if the normal tax had been higher and the surtax lower -- as it had anticipated would be the case -- the bonds would have held up better in the market. This view is best expressed in the following statement made by Assistant Secretary Leffingwell in an address before the Academy of Political Science on April 30, 1920, summing up the Treasury's experience with war finance:

"The departure from the Treasury's views concerning surtaxes and normal taxes has seriously impaired the market value of Liberty bonds, which are exempt from the normal taxes but, within certain limitations, subject to surtaxes. It is within the power of Congress, by reducing surtaxes and increasing normal taxes, to lift Liberty bonds to practically any market level it chooses."

At the time Mr. Leffingwell spoke, Fourth Liberty bonds were selling at just under 86.

MEMORANDUM FOR THE SECRETARY.

September 27, 1944.

Today's receipts, including the early afternoon mail, totalled 30 letters in regard to the statement about Germany.

Of these, 25 were favorable and 5 unfavorable. Of the unfavorable ones, 2 were anonymous abusive -- 1 of the President and 1 of the Secretary. These were both on postal cards, and though apparently signed, the names were illegible.

G. E. Forbush
by K. P.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

SEP 27 1944

TO Secretary Morgenthau
FROM Mr. Lynch

For your information

This is a report as to the situation under the new surplus property legislation which threatens the loss of Mr. Olrich and his key supervisory staff.

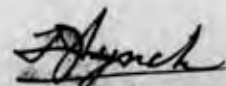
Following your call Monday to Justice Byrnes, Mr. Charles Bell and I went immediately to see him. He expressed belief that the statute should be construed merely so as to prohibit Procurement employees from obtaining special employment in representing persons dealing with the Procurement Division. In that way it would not handicap our people in returning to their former positions with established businesses.

Justice Byrnes then called Mr. Hugh Cox, Assistant Solicitor General, who acts for the Attorney General in such matters, as a result of which it was agreed that an Attorney General's Opinion would be issued.

Mr. Olrich advises that our people concerned will continue with us on a day to day basis pending issuance of the Attorney General's Opinion.

The Attorney General has already agreed that he will not consider the statute as effective until the Surplus Property Board created by the new legislation has been appointed and assumed its duties. This should give us more time than we had expected to work out the problem.

Based upon my daily talks with Mr. Cox, I am not too optimistic that the Attorney General's conclusions will satisfy our people. Mr. Cox has not yet indicated his conclusion, but the tentative views of the staff at the Department of Justice are narrower than those of Justice Byrnes and less liberal than we had hoped for. A satisfactory solution that will keep the present staff is not yet indicated.



For Release Wednesday, Sept. 27, 1944

F. D. R. Holds Edge Over Dewey Among 'Independent' Voters, Survey Of That Group Reveals

Dewey Trip May Win Him New Votes Among The Independent Bloc

By GEORGE GALLUP

Director, American Institute of Public Opinion

PRINCETON, N. J., Sept. 26. — The group which holds the balance of power in the coming elections is the so-called "independent" voters — those who do not vote a "regular" party ticket.

This group holds the balance of power because of its size. Institute estimates, based on a survey recently completed, put this group at 20 per cent of the voting population, or, in other words, at about one in every five voters.

The independent voting bloc is important in another respect. Since it is made up of voters who presumably study both candidates and issues before deciding how they will vote, its support can be won by either party right up to election day.

As of today, President Roosevelt holds the greater share of support among this group, as is shown by replies to the following question:

"If the presidential election were being held today, how would you vote — for Roosevelt or for Dewey?"

The results among those willing to state a preference today:

For Roosevelt 55%
For Dewey 45

While President Roosevelt now holds the advantage over Governor Dewey among this group of civilian voters, the G.O.P. candidate's campaign tour may do much to overcome this advantage.

In this respect, it should be noted that in the present survey about one-fifth among the independent voters questioned still prefer not to say which candidate they



would pick if the election were being held today.

In the survey to learn the size of the independent vote, field reporters for the Gallup Poll asked voters across the country this question:

"In politics as of today, do you consider yourself a Republican, a Democrat, Socialist, or Independent?"

The replies:

Republican 39%
Democrat 41
Independent 20
Socialist *

*Less than one percent.

SWEDISH GALLUP POLL ACCURATE IN FORECAST

One of the most accurate election forecasts in the history of polling was achieved by the Svenska Gallup Institutet (Swedish Gallup Poll) in predicting the outcome of the Swedish general election held Sept. 17.



Blomquist

The forecast, published Sept. 12 in "Dagens Nyheter" and other Swedish dailies underwriting the poll, showed an average error of less than one-half of one per cent when compared to election results.

	Poll Forecast	Election Result	Error
Conservatives	16.3%	15.4%	0.9
Liberals	12.7	12.9	0.2
Agrarians	13.4	13.8	0.4
Social Democrats	46.7	46.8	0.1
Communists	9.8	10.4	0.6
Other Parties	1.1	0.7	0.4

The Swedish poll, affiliated with the American Gallup Poll, was organized in 1943, and is under the direction of Sven O. Blomquist, Stockholm research expert.

SEP 26 AM 9 51

OFFICE OF THE SECRETARY OF TREASURY

Treasury Department
Division of Monetary Research

Date 9/27/44 19

To: Secretary Morgenthau

From: Mr. White *HDW*

You may be interested in this report on the UNRRA Council Meeting in Montreal just ended.

White:
Please Mr. [unclear]
in [unclear]

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

80

DATE Sept. 27, 1944

TO Mr. White
FROM Mr. Glasser

Subject: The UNRRA Conference at Montreal, Sept. 15-26, 1944.

There were only two major issues at the UNRRA Conference:

1. Authorizing aid to Italy limited to \$50 million.

Acheson received direct instructions from the President to push this program with the greatest vigor. He did, and successfully "lined up" all the delegations before the vote.

2. Authorizing UNRRA to give aid to the persecuted groups, particularly Jews, in enemy or ex-enemy areas.

The British attempted to obstruct this program. Acheson was magnificent in breaking down the opposition and pushing it through. His speech in defense of the program was a masterpiece in handling the political issues involved, and stating the humanitarian and ethical aspects of assisting those who had been persecuted by the Nazis. He successfully prevented any discussion except on the real merits and since there could be no discussion on the real merits, the program was put over unanimously.

I suggest that Secretary Morgenthau or the War Refugee Board may wish to commend Mr. Acheson for his efforts.

Of general interest:

1. There was a feeling amongst all the delegations that UNRRA was not moving with sufficient vigor and pessimism was widespread as to what could be expected of the organization. This was brought out on the floor in Mr. Acheson's forceful speech urging UNRRA to get started without further delay to do its job.

Division of Monetary
Research

- 2 -

Sir Arthur Salter, the Deputy Director General under Governor Lehman, is resigning. They are searching for a man to take his place who will provide vigor and enthusiasm for the job as this seems to be the only hope that UNRRA can be successful.

2. The Russians felt that they were badly treated. Their complaint was that they are not consulted on policy matters and that they were being isolated, with their suggestions voted down by votes of 42 to 2 (the voting partner of Russia was Czechoslovakia with Iran sometimes joining in). Acheson made a real effort during the latter stages of the conference to help the Russians and the conference ended with a greatly improved atmosphere between the U. S. and the Soviet Delegations.

SEP 27 1944

Dear Mr. Crowley:

In response to your request of September 21, 1944 I enclose herewith a copy of Lord Cherwell's letter to me of September 16 on the question of the interpretation of the words "sold for profit". Also enclosed is a copy of my reply to Lord Cherwell's inquiry.

I am aware that this phrase has been subject to careful interpretation both in negotiations and in practice over a long period. In view of this we should be glad to have the detailed memorandum on the subject which you have kindly offered to prepare. I am sure such a memorandum would prove very helpful to the American Committee.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Leo T. Crowley, Administrator,
Foreign Economic Administration,
Washington 25, D.C.

Enclosures

FOREIGN ECONOMIC ADMINISTRATION

WASHINGTON 25, D. C.

September 21, 1944

Dear Secretary Morgenthau:

I would greatly appreciate it if you could send me a copy of Lord Cherwell's letter of September 16 which you referred to yesterday afternoon on the question of interpreting the words "sold for profit."

As you are doubtless aware, these words have a fairly long history. The first basic distinction between the handling by Britain of lend-lease goods for export and the separable case of goods sold in the United Kingdom without profit was made in the discussion and negotiations leading up to the Eden White Paper of September 10, 1941. This White Paper embodies the distinction and makes quite clear that the reference to goods sold for profit does not relate to export but relates solely to lend-lease supplies distributed in the United Kingdom. Since then there has been an interpretation of the White Paper in practice.

If it will aid the American Committee, I can have prepared a detailed memorandum on this subject.

Sincerely yours,



Leo T. Crowley,
Administrator.

The Honorable Henry Morgenthau, Jr.

The Secretary of the Treasury.

C
O
P
Y

SEP 20 1944

Dear Lord Cherwell:

This is in reply to your letter of September 16, 1944 concerning clarification of the phrase "or sold for profit" as it appears in your notes of the conversation between the President and the Prime Minister on September 14th.

Without attempting a precise restatement, I have assumed that the agreed principles which have heretofore governed the sale or other disposition of Lend-Lease goods in the United Kingdom would be retained unless changed circumstances should make reconsideration desirable. In the latter event the subject could be reopened for discussion between our two Governments.

Your kind personal message is very much appreciated.

Very sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Right Honourable Frederick Cherwell,
British Embassy,
3100 Massachusetts Avenue, N.W.,
Washington, D.C.

C
O
P
Y

95
At Chateau Frontenac,
Quebec.
16th September 1944

Dear Mr. Secretary,

As you suggested, I am sending this note so as to clarify the meaning of the phrase "or sold for profit" in the record of the conversation between the President and the Prime Minister on September 14th.

According to my recollection, you explained that it merely meant that our Government should not sell Lend/Lease goods for more than the price at which they are entered in your books plus a reasonable allowance for transport and similar charges. I should be grateful if you could let me know whether this is correct.

Though I do not know whether we are informed about the price at which Lend/Lease goods stand in your books, - thanks to your generous desire to keep the dollar sign out of Lend/Lease, - I feel sure that we habitually keep well within this limit and that we shall therefore find no difficulty in meeting the President's wishes in this respect.

May I also take this opportunity of telling you how much I enjoyed seeing you at Quebec and how very grateful I am for all the kindness you showed in your dealings with such a novice as

Yours very sincerely

/s/ Cherwell.

Mr. Secretary Morgenthau

Copy to Mr White 9/24/44 96 ✓

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

TELEPHONE EXECUTIVE 2020

Box 680
BENJAMIN FRANKLIN STATION
WASHINGTON 4, D. C.

27th September 1944

Dear Mr Secretary,

I am starting this morning for Boston where I plan to spend some days, but I shall return on Sunday so as to see Keynes and impress upon him that everything must be ready for you when you return from your tour. Those concerned have been told that you wish to have the munitions figures in as much detail as possible - at the very least a breakdown giving several dozens of the principal items; further, that you wish ^{the} to non-munitions figures to be broken down as far as possible, and a detailed statement to be prepared of our general economic case. I hope this covers what you asked for. If not, of course, we shall have to add anything further you would like.

I hope to start on my more extensive western tour on Tuesday, but I shall make a point of being back by the week-end of the 15th, so that you can have the statements as early as you like thereafter.

Meanwhile may I thank you for an extraordinarily pleasant and interesting evening.

Yours very sincerely
Cherwell.

Mr Secretary Morgenthau,
The Treasury,
Washington.

P.S. I am also sending a revise of the transcript which you kindly let me have. The trivial alterations in my remarks do not affect the substance anywhere, but I think they make sense of one or two sentences where I appear to have been inaudible if not incoherent.

September 20, 1944
3:00 p.m.

CONFERENCE WITH THE BRITISH - LEND-LEASE

Present: Lord Halifax
Lord Cherwell
Mr. Brand
Mr. Opie
Sir Henry Self
Mr. Hugh Weeks
Mr. Crowley
Mr. McCloy
Mr. Taft
Mr. Cox
Mr. Currie
Mr. White
Mrs. Klotz

H.M.JR: Have you as many on your team as we have on ours?

LORD HALIFAX: I tried to get an even number. I produced six, and you have seven.

H.M.JR: Who is going to pitch for you?

LORD HALIFAX: I think we will have to make Lord Cherwell do quite a bit of that.

H.M.JR: He has done very well.

In the very little time I have had, I have been trying to tell these gentlemen what has happened. I don't know how much time you have had to talk things over, but, as you see, we are ready to start. I don't know how far you are, but if you care, whoever is going to speak--

LORD CHERWELL: I only got here last night, but I think there are some things we might get done, or at any rate we can find out what has to be done. We can decide what decisions this committee may have to make. If we can't make them, we might decide what they are.

- 2 -

Now, I take it we are here to implement the Quebec arrangements, to find out the details, or to work out in a little more detail how that is to be done. And it seems to me that the simplest way is for me to start with the non-munitions side.

It was agreed, I think, that Lend-Lease is to continue, and, therefore, it is only a matter of how much we need in non-munitions. Broadly speaking, they consist of food, oil, which is to a large extent self-balancing owing to reverse lend-lease, shipping, a certain amount of raw materials, and a small amount of miscellaneous items. And they add up, as far as we can see, for the first year of stage two to about three billion dollars.

Well now, it seems to me that these figures could be agreed very easily. If your people and our people got together and we had, say, a committee on non-munitions, they could agree whether that was a reasonable figure, whether it was right. I think we could persuade you that that was all right.

H.M.JR: Now, before I answer you, may I ask a question? Jack, how pressing are the requests of the British for munitions? I mean, is that a very pressing one?

MR. McCLOY: It is pressing from this point of view because if, say, the Germans should collapse next week, we would have to know how much to cut back. We would have to know how much of our production we would have to shift, and we have a plan now which was based on some estimates that we had which would be upped considerably if we took your figures, rather than our figures. And that rather depends upon Hitler.

LOED HALIFAX: You are talking about munitions?

MR. McCLOY: Yes.

LORD CHERWELL: I was talking about the non-munitions.

H.M.JR: I know, but before I answer your questions, I wanted to ask Mr. McCloy how pressing the question of munitions is from the standpoint of the War Department. That was the purport of my question, and he was speaking on that.

MR. McCLOY: We have a rather definite program underway, an understanding with our manufacturers whereby we will cut back to a certain degree if and when there is a German collapse. We would like to crystallize that as quickly as we can.

LORD CHERWELL: Yes, that, of course, is most important, and that is, of course, one of the reasons we were rather anxious to urge that this should be settled on the munitions side so that you shouldn't cut back, and then afterwards we should all say that it is a pity we couldn't get this or that,

MR. McCLOY: That is right. That is fairly pressing.

MR. TAFT: Mr. Secretary, does this include the U.K. and the Dominions, or is it only the U.K.--the figure that you have given?

LORD CHERWELL: It is roughly the whole Empire. But the committee would have to go into that; there are certain complications. But, broadly, I think you could say that the three billion ought to cover the Empire.

MR. COX: Mr. Secretary, it is going to be quite difficult on the non-munitions program to make up your mind until you know what the munitions program is, because a large part of this is war production materials.

LORD CHERWELL: I am hoping that things will go in parallel, but I was mentioning the non-munitions first because I thought they were the easier of the two.

MR. COX: But you have to know your postulate or assumption before you proceed.

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LORD CHERWELL: Yes.

H.M.JR: In the light of what these gentlemen say, would it be agreeable if we go forward with both munitions and non-munitions simultaneously? I gather there is only so much in the pot, and the figure that will have to be fixed first, I take it, Mr. Crowley, is the munitions figure.

MR. CROWLEY: That is right.

MR. TAFT: That represents our feeling about it.

H.M.JR: So you would like to see them go forward together?

MR. TAFT: As a criterion for the others.

H.M.JR: In the light of that, would you be willing to approach the thing, the whole matter, simultaneously, rather than advancing the non-munitions first?

LORD CHERWELL: We would prefer that, yes. I perhaps ought not to have put it in front in talking, but we want them to go together.

H.M.JR: Then I don't see any reason from our side why we couldn't approach the whole problem at once.

LORD CHERWELL: Yes.

Well, there is a certain difference between the two that I can explain, I think. The thing is this: There is no question that on the non-munitions side we just can't do anything much ourselves. We can't grow more food than we are growing, and we must have a certain amount of food to live. We are down already to eightypercent of pre-war, and we can't go much lower. In fact, we want to go higher, because the people have had four or five years of it, and they will expect some relaxation. So with the non-munitions, I don't think there is any difficult question, except questions of quantity.

The munitions are, perhaps, rather more difficult, because--at any rate, the President first agreed that

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broadly speaking we should get a sort of proportion to what we have been getting heretofore. But you said that that was not much good to the Treasury, "We want to know to how many dollars and to how many things we are committed."

We then said we had worked it out and that instead of getting five point six billion dollars as we had in '44 in munitions, we thought we would be able to manage with three point four billion dollars in the first year of stage two. That figure was tentatively regarded as reasonable. Now, if that figure could be accepted,--though it will have to be varied in the light of the decisions at Quebec, and may, I should think, very possibly be diminished--if that figure could be regarded as an upper limit, and the service and supply people could begin discussing exactly what proportion of the various munitions were wanted, and so forth, then I think we could go ahead with the munitions just the same as with the non-munitions.

H.M.JR: Well, as far as we are concerned, from what these gentlemen advise me, I think we could get ahead faster if we could approach the whole problem at one time, and I think that each person has his own problems. The fact that your people aren't getting enough to eat, which, of course, is an extremely pressing problem, and one that should be given very prompt consideration--but we have ours, which is in terms of human values not so pressing, and that is the one of cancellation of Government contracts.

But we take the question of the Combined Chiefs of Staff--I don't know how many days it will take to answer, but from previous experience, if you get anything under a month from the Combined Chiefs of Staff you are lucky. He isn't a member, so he doesn't mind my saying that.

MR. McCLOY: It goes right over my head.

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H.M.JR: He doesn't mind my saying that. Is that right?

MR. McCLOY: That is right, right over my head.

LORD HALIFAX: Mr. Secretary, may I interject one word in what you have just said, that you felt it would be helpful if what you call the whole problem--and you made a reference to the civilian condition in England--did you mean by that that it would be helpful if at this stage of the game Lord Cherwell gave a brief general picture of what the angle is from which we approach this general question, namely the position of our population in all sorts of civilian directions, and so forth, which imposes this necessity of coming to you upon us? I am sure that he would be happy to do that.

H.M.JR: Yes--well, the whole thing. I mean, it gets back to even a bigger program than that, Lord Halifax. It goes back to my conversation with both the Prime Minister and Sir John Anderson in England, and that is, you people have certain objectives in connection with re-establishing and regaining your world trade and your exports, and this is part of that picture. And to satisfy me, as one member of the American Committee, I am going to have to get all the information that bears on your economic picture. I want it all.

Now, talking for myself, as one member of the Committee, we can weigh this thing intelligently. It isn't only the food requirement, but it is the whole picture, food, munitions, ships, and whatever--

MR. BRAND: Exports.

H.M.JR: Your whole economic program.

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MR. TAFT: I was going to make one suggestion in Lord Cherwell's presentation. There has been some difficulty on our side where we have been talking figures, percentages, and absolute and relative amounts to adjust the figures that we have been talking about to the ones that have been mentioned up to date. The difference may be in taking a gross figure less reverse lend-lease, or it may be on some other basis. When you said three and a half billion on munitions, we couldn't fit it into anything. When you related it to a prior figure of five point six, we might not be able to figure out where you got the five point six, but at least it gave us some basis of deduction; and I think if you could indicate when you get to that point what the reduction is, as well as the absolute figures, then I think perhaps we can relate it to the figures we have been getting, even if they are a little bit different from yours.

LORD CHERWELL: Yes.

H.M.JR: You remember, we were talking both gross and net figures up there.

LORD CHERWELL: Yes, but, of course, gross and net only comes in really on non-munitions, because there is no reverse in munitions to speak of.

But as far as the munitions go, it comes to something like sixty percent of what we got last year that we want in the first year of stage two. We call stage two the Japanese war.

MR. TAFT: The same with us.

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LORD CHERWELL: And, of course, as I say, there might be people in America who say, "That wants justifying, because if you want less, as you obviously do, why can't you make it all yourself and not come to us?"

But I think you recognized in Quebec that the British public would not stand for it - we can't do it; it is politically not possible. As a matter of fact, our Service people originally wanted more and the War Cabinet decided they could not force the British public to do quite so much and they had to cut it back. They could not compel our people to maintain this war effort at the present rate. The civilian consumption is about eighty percent, over-all, of what it has been - what it was before the war. The average figure is seventy-nine, as a matter of fact. And, of course, in many things - most of the things that people notice - it is a good deal worse than that. The reason it appears not to be so bad is because food is such a big item, and food people just have to have. They can't live without it. So we have not been able to cut that so very much. I think food is cut to eighty-five percent.

But take, for instance, building. Normally we build three hundred thousand houses a year. Now, for four years, we have built practically none -- no dwelling houses. If these figures are to be quoted, I would rather give them in writing to be sure they are all right, because I am now giving only broad figures. Now, we have had completely destroyed, irreparably damaged by bombs, on the order of three or four hundred thousand houses - absolutely dead out which have to be rebuilt. Then for two years there have been practically no repairs - very, very little in the way of repairs. Any repair facilities, any labor we could spare at all was used for repairing minor bomb damage. But minor damage, of course, goes into millions of houses. And, of course, our building labor has been enormously drawn upon for the services. Good strong men have been called up and put into the army. Numbers have dropped - it depends on whether you count the engineers or not - but they have dropped to something like half.

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Well, now, we must build. We can't let the soldiers come home to find they haven't got any houses. If they have no place to live there will be a riot. We have got to do something about that.

Then, take clothing. We are running at about fifty-eight percent of normal and we have been running on that for three years - a little over half the normal amount. Well, a good many people had some clothes in stock, but the poorer people hadn't much stock and what they had is all getting worn out. You can't go on like that for very long.

Then take household goods - they are down to about thirty-two percent. We are getting one-third of the normal. I believe you haven't really lost much of those two, so far - your clothing and household goods. You are pretty well up.

Of course, gasoline is an absurd case because if you exclude the people like doctors and professional men we only have one and a half percent of the gasoline we had before. All the people who live in the country have to have a permit to use it at all.

Broadly speaking, our civilians have been very hard pressed. They have been hard pressed for a long time. Now, when we get the people back from the war we won't have the same power of directing labor that we had before. At present a man is told, "You go up and do this," but when you demobilize a soldier you can't tell him he has got to go and work in this or that factory. I don't think that would be feasible; it just wouldn't be practical politics. He expects to do what he wants to do.

I think it is permissible in this circle - it is not published yet - to say a word about our plan for demobilization. It is this: People with a certain number of years - three or four years' service - are to have priority in demobilization according to age and marriage, etc. The key men that we want to have taken out of the army before their turn, are to be subject to direction so they can be directed into this or that or the other place and told,

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"You will have to go and work here and do that job; if you don't like it you can go back to the army, but if you are demobilized you will have to do this." But the greater proportion of people we demobilize will be people with three or four years' service and we will not be able to direct them. So we will lose a lot of effective labor on that. I mean, we won't just be able to use any labor set free for munitions, should we want to.

Then a lot of women have come in for patriotic motives, doing half-time work, many will certainly give it up when their husbands come home. They will want to look after their homes. We reckon there will be a loss of something like eight hundred thousand women on that count alone. They will drift out. And it is very difficult to direct or force married women, especially those over thirty, to go and work when they don't want to - when their husbands are home. I don't think it is practicable. Then there is normal wastage in one way or another. We reckon that we will be very lucky, if we can continue to make something of the order of sixty percent of the munitions that we were making before. That is the absolute maximum we can hope to get. Well, if the figures that are being worked out are right, that will mean that we shall have to get from elsewhere something like three point four million dollars' worth of munitions.

Oh, the exports I have left out. That is for us most important, though it isn't the most important in numbers, by any means. Our exports have dropped to thirty percent, of what they were before in volume and the manpower working on them. And if you take value - fifty percent. Of course, that doesn't mean very much because we have to pay fifty percent or more for what we get, so really we are down below one-third.

Even if we get the three billion dollars in non-munitions and three point four billion dollars in munitions, we will still be piling up debts in the first year of Stage 2 at a rate of three billion dollars a year.

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MR. BRAND: External debt.

LORD CHERWELL: What we want to do is to put our civilian consumption back about half way to where it was. We want to get up to ninety percent from eighty.

We won't get enough houses even to replace the ones that were wrecked by the bombing; as to household goods - that would go about half way to normal. The exports we are aiming to get up to something like eighty or ninety percent of pre-war at the end of the year.

Well, now, when we remember that owing to the loss of our foreign income and our external liabilities, we have got to get a considerable increase on pre-war - something like fifty percent - if we are to pay our way, we aren't going there very fast. And I think it was arguments of that type that persuaded you and the President - we didn't go into them in detail because they were more or less common ground - that it was right not to raise the point - "Well, you ought to be making more if you are going to need less for the Japanese war, you can do it all yourselves," but to say, "We will give you roughly the same proportion you have been getting heretofore. We will let you raise your civilian standard a little bit."

Now if you like we could give you something rather more detailed in writing giving some of these figures. It is difficult to give them very accurately, but you can get them with reasonable accuracy.

H.M.JR: If I may say this - you and I are very frank with each other and the others will have to get used to it - from what you have said today, it doesn't allow me to go forward any in my thinking from anything you told me at Quebec, because you are still using the same figures.

LORD CHERWELL: They are right. We can't change them.
(Laughter)

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H.M.JR: You are right in your belief but you have done nothing to justify those figures, do you see? So I am just where I was at Quebec. You remember that in the memorandum we said we took them as your figures; I said I didn't have our figures. Things were moving so fast that if I started to call up people and try to get our figures - I just didn't have time.

Now, I would very much, for myself and I imagine for my associates, like to have the break-down as to these three billion three on munitions.

LORD CHERWELL: That could be done.

H.M.JR: I would like to have that very much because then I would feel I am beginning to make a little progress.

MR. CURRIE: May we have the same, also, for the non-munitions?

LORD CHERWELL: Yes, surely, in broad categories.

H.M. JR: And then if we want to we will break them down into further segments. But if we could have those in writing - well, start and give us as much more as you can; then as each one of these people want more they will ask for more.

MR. TAFT: I wonder if it wouldn't be helpful if you... pointed out our difficulty. We said before, the figures just don't jibe with the ones that I, as an outsider, have been given by those people who are supposed to know what the figures are. The over-all figure on Lend-Lease to the British Empire I had understood was seven and a half billion, not nine and a half billion.

H.M.JR: Now, don't talk of yourself as an outsider. Where did you get the figures?

MR. TAFT: I got those figures both from Lend-Lease and the Army.

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H.M.JR: But not from the British.

MR. TAFT: No. There is, however, one set of British figures which has been reported to me as having been given to our Army which is almost a billion out from three point four that you have given as the desired amount on munitions. That is why I think the Secretary's request for a break-down is extremely important, because the proportion is something that doesn't startle me at all.

The amounts are so far out from the figures we have been talking about that there must be some explanation that I think you had better get into your document in order to help us in advance.

LORD CHERWELL: Exactly. That, I think, would have to be done on a Committee of some sort, but I think probably the difficulty is - I have these sorts of troubles in England, often, - that on one occasion you are counting only the United Kingdom and on the other occasion you have the Reverse Lend-Lease put in or not out in.

MR. TAFT: That is why a break-down is very essential at this stage.

MR. WEEKS: I would very much like to do that, because we have compiled our figures from the information we have. On some things, we do know.

The further point I might add is that our figure - what we sort of call the starting-point figure, you see - of five point six for munitions is the 1944 figure; that is for the whole year.

MR. TAFT: The figure we had is four point five.

MR. WEEKS: It is what we understand to be the value of the accepted program in 1944.

H.M.JR: You see, Mr. Taft is quoting figures furnished him by people of the United States, and, after all, you are quoting your own; so there might perfectly well be a difference.

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MR. TAFT: All I was suggesting was if you could get some explanation of what the difference is in your first document we would move much further.

MR. WEEKS: The important thing is the relative figures.

MR. TAFT: I didn't say that. I said I wasn't shocked by the relative figure, whereas the other was so far out I was rather disturbed.

LORD CHERWELL: That we ought to get absolutely straight.

H.M.JR: The net result is that we all want some facts and figures. It really gets down to just how fast you people can furnish them. Any assistance which can be given by us - we are all available.

MR. WHITE: Mr. Secretary, at Quebec in the discussion I had with Mr. Weeks - I am not sure whether you were present - I indicated a number of items that the answers to which would be very helpful in expediting a decision. I don't know whether Mr. Weeks remembers the items I mentioned. I would be glad to supply them in writing. He thought that he could, given a little time, supply sufficiently rough answers - because the nature of some of the questions weren't sufficiently accurate.

MR. WEEKS: You mean--

MR. WHITE: The extent of your increase in peace-time goods, the extent of the increase in exports, increased employment, and things of that character.

MR. TAFT: The net transfer of employable persons from war production to civilian production.

MR. WHITE: There are about a dozen of those key questions.

LORD HALIFAX: Mr. Secretary, following what Dr. White has said, it would perhaps be helpful to us, if it was not

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out of harmony with your thought, if, pursuing your express desire for more information, you could have told us exactly what the points were that you would like elucidated.

H.M.JR: No, definitely not. I would like to approach it from the angle Lord Cherwell started. He said he was going to give us some information and then give us his first memorandum. If in that memorandum it doesn't cover the whole field, then we will give him additional information. I would like the English memorandum to come from you, if you don't mind my using the word, justifying or explaining these over-all figures. I feel quite emphatic about that.

LORD CHERWELL: One would be giving the break-down of the non-munitions, roughly, and the other would be the munitions. That we can get easily.

H.M.JR: And the minute we have it we will sit down and go over it ourselves, and then any information that is lacking we will give you partly in writing - additional information.

MR. CURRIE: It would also be helpful, Mr. Secretary, if we had some estimates of the probable exports and of non-Lend-Lease imports as part of the general economic picture.

LORD CHERWELL: Yes, well, that depends on who will buy the stuff. .. But the number of people whom we hope to get onto the export trade again, that we can get. And, of course, if we can sell it all we will be very pleased. All these things are what we aim at, but, of course, in the first year we shan't get an awful lot.

MR. COX: Mr. Secretary, there is one major thing which I think will condition all these figures, and that is the estimated percentage of Britain's expenditures on the part of its economy that is put into the war. For example, if fifteen percent of their economy is in the war, and thirty percent of ours is in the war, there are certain things you can't do practically.

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H.M.JR: You don't mean those as figures today!

MR. COX: No, but as a central backbone that shows up in manpower, national government expenditures for war, and so forth. But I think you have to know their estimated proportion that is going into the war effort in Stage 2, based on whatever evidence you have on the thing.

LORD CHERWELL: I think we can get an idea, but it is very difficult to do anything comparative because so much depends on statistical categories. I think we reckon that we have got - certainly more than forty percent - I think it is nearer fifty, but I wouldn't like to say, offhand.

MR. SELF: The important part, I think you might say - would you regard repairing war damage as part of the war effort? It is an important point, because otherwise you get misleading comparisons.

MR. COX: It is perfectly obvious, as I understand the figures now, that roughly over fifty percent of your effort, without any quibble on statistics, has gone into the war. That is on terms of national expenditures for production of munitions - people that work in producing munitions and other things directly related to war in the same way as we figure our budget. Obviously both countries are going to reduce for the Japanese war the amount of their expenditure for directly connected war programs, but if you get two divergent things, irrelevant in your judgment, as to what munitions mean and what non-munitions mean - because you see the practical problem if you get a wide differentiation.

MR. SELF: You know that we have for twelve months, under the Combined Board, been trying to get a comparative picture of that sort. You also know that it has broken down every time because, if I may say so, frankly, sir, the comparison was so unfavorable to the U.S. that you didn't find a possibility of striking a comparable basis. My only point is that now Mr. Cox thinks he may have a point of operating the other way, and I think I am entitled to

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plead there is a difficulty of finding a comparable basis. What do you account the war damage is? In point of fact, with the small number of workers we released - say two or three million workers released - we have to switch a million onto war damages.

LORD CHERWELL: If you take the direct effort in Phase 2; it will be between sixty and sixty-five percent of what it is in Stage 1. That is to say, if it is fifty percent now, it will be thirty percent then. I think it is much the same as you plan.

MR. TAFT: I don't see that you need to fear the comparison just because it is Stage 2 instead of Stage 1.

MR. WHITE: I don't see the need of making a comparison. All we need is your figures. We will make our own for ourselves.

MR. TAFT: I think it can't be anything but helpful to your side.

H.M.JR: The trouble with our side, we have not all been together. Now, thanks to this meeting in Quebec, you can deal with the American Government as one, and if you will deal with us as one and not as individual Departments, I think we will get ahead very fast. I have assured Mr. Churchill and Lord Cherwell we will only keep him here a couple of weeks to get the thing through and get him home. It is sort of a fresh approach, but if you will deal with us as one, and I think you know what I mean, we will get along very well.

LORD CHERWELL: I am sure we got the impression at Quebec you were only out to help us and you wanted to have the case reasonably presented so that if you were questioned you would have your answers.

H.M.JR: That is right. I haven't changed one iota. But I need some fresh information. Now, when do you think reasonably that could be produced?

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MR. WEEKS: A break-down in munitions we could give you straight away, of course. But we think it will take two or three weeks before we shall get here the result of the working out in London of those decisions. There will be some substantial changes in requirements which will arise. We should, I think, when we get down to detailed presentation prefer to put the new figures in rather than confuse the matter with the old figures. It was part of the discussion, I think, that we should present the new figures.

MR. McCLOY: Would you think those figures would be greater or less than the figures you now have available?

MR. WEEKS: I think they will be less.

MR. SELF: Am I not correct in saying that so far you have only had ASP figures for the Army? You haven't had the air figures and the Navy figures.

MR. McCLOY: Haven't we had the Navy figures?

MR. TAFT: You have had Navy and Air according to my understanding.

MR. McCLOY: I understand exclusive of Air, but I thought inclusive of everything else.

MR. SELF: The Air is important.

MR. TAFT: The figure is two and a half billion including Air, Navy, and Army, which corresponds to a billion, seven, roughly, which Mr. McCloy has been talking about for the Army alone. I think that is right.

MR. WEEKS: This was what?

MR. TAFT: Requirements presented by your Army people to our Army people.

MR. WEEKS: I don't think we have ever put our figures in; I am quite sure they haven't been put in.

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MR. McCLOY: I have no record of any Air figures.

MR. WEEKS: The Army figures have been put in.

MR. TAFT: I tried to get them before this meeting and wasn't able.

MR. WEEKS: Our present position is that we put new detailed figures in on October 15; that is for the usual Air expenditures discussion. We should hope, on the more important things, to have them before the 15th.

LORD CHERWELL: I wonder whether, since this causes a big delay, - we could go on on the figures before the Quebec Conference? Then they could be altered in a fortnight or so probably by relatively small amounts.

H.M.JR: That would give us a start.

MR. WEEKS: Could we find, sir, whether the changes are going to be considerable? Because I think if there is going to be a considerable change it would cloud the issue; it would give the wrong atmosphere to the discussion.

H.M.JR: Are you asking me? I don't know.

MR. McCLOY: I haven't been able to interpret the decision at Quebec in terms of any lesser or greater program. I haven't been able to figure out from what was decided there.

LORD CHERWELL: For instance, these B-29's - I don't know about them. That is a big amount.

MR. McCLOY: I think that was left in the air!
(Laughter)

H.M.JR: Have we gone about as far as we can today?

LORD HALIFAX: What would your thought be on this last point? In the interest of time saving, would it be helpful if we gave you the fullest information that we

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could on the munitions as it stands, always with the proviso that revision will be necessary, perhaps, in the light of Quebec, and that we at the same time on our side try to hurry them up in London on what will be the principal points of difference. We could be doing that without prejudice to the other.

H.M.JR: I can't answer you. It might be a billion dollars, it might be two billion dollars apart. I am completely in the dark. I don't know. And if the figures that you give us are very large, then we get off to a bad start as far as non-munitions are concerned.

LORD CHERWELL: Yes.

LORD HALIFAX: We better have a look at that, I should think. If we can give you anything that we feel reasonably sure of, we will, and if we can't, we won't. And we will have to examine it further.

H.M.JR: I think the closer we can get to actualities on this thing, the better.

LORD HALIFAX: But we could, in any case, no doubt, I should imagine - I speak subject to the direction of others here - we could send you a good deal of the information of the sort you want about exports and the general civilian figures on which we have worked - and those are not affected, I imagine, by Quebec - those I think probably we could get ahead with; and also, generally, the background picture against which this is all seen - all that we can be doing, and I should hope we could let you have that in three or four days.

MR. WEEKS: I should think so, yes - a few days' time.

LORD CHERWELL: How about the non-munitions breakdown?

MR. WEEKS: With the exception of shipping which, again, is affected. But we may well have the effect of the new distribution within two or three days' time.

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LORD HALIFAX: Perhaps the picture we might leave with you, Mr. Secretary, would be that we would hope to give you a good deal of stuff that was not affected by Quebec in the course of three or four days, and the stuff that is affected by Quebec we will get to you subsequently.

H.M.JR: Always keeping in mind that until we have all the pictures of the jigsaw it is very hard to put together. I mean, the last piece might be the most difficult.

LORD HALIFAX: The slowest ship slows up the convoy.

MR. TAFT: I am not sure we agree with Mr. Weeks that it would be confusing to give us the figures that have been discussed - the break-down of those figures. I think that is important because then we will begin to get a comparable basis of discussion. When you are a billion out, it is just so far - as Mr. McCloy said, you don't know what your proposal is.

H.M.JR: You are trying to get something to hang the War Department with.

MR. TAFT: Exactly - well, I don't care whether I hang the War Department or hang the British, but I do want to get the figures together. If you are talking about a total of five, six, and we are talking about four, five, there is something wrong.

MR. WEEKS: That part I have no doubt about.

MR. TAFT: All right, let's get that going. That is the heart of this thing, really.

H.M.JR: Well, are we all right? If you (Lord Cherwell) have a little time to stay behind to chat, I will appreciate it.

LORD CHERWELL: Very well, sir.



TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25

September 27, 1944

OFFICE OF THE DIRECTOR

SECRET

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the weekly report of Lend-Lease purchases.

We have just received the first UNRRA requirements involving 14,000,000 yards of Woolen Fabric for women's coats, skirts, dresses and blouses; also, men's garments and trousers, together with a special requirement amounting to \$484,684.00 for the UNRRA Relief Camp at Phillipville, North Africa for the purchase of textiles, clothing, shoes, and miscellaneous items.

[Handwritten Signature]
Clifton E. Mack
Director of Procurement
[Handwritten Initials]

Attachment

SECRET

LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF SEPTEMBER 20, 1944
 (In Millions of Dollars)

SECRET

	Total	U. K.	Russia	China	Administrative Expenses	Miscellaneous & Undistributed
Allocations	\$5547.5 (5522.4)	\$2627.1 (2627.1)	\$2257.3 (2257.3)	\$133.9 (133.9)	\$15.9 (15.9)	\$513.3 (488.2)
Requisitions in Purchase	\$ 163.7 (161.2)	\$ 30.9 (36.9)	\$ 58.1 (57.5)	\$ 2.4 (2.4)	-	\$ 72.3 (64.4)
Requisitions not Cleared by W.P.B.	\$ 117.8 (100.4)	\$ 27.6 (27.2)	\$ 80.1 (65.4)	\$.1 (.1)	-	\$ 10.0 (7.7)
Obligations (Purchases)	\$4033.1 (4010.7)	\$1997.3 (1992.8)	\$1660.1 (1647.2)	\$ 62.6 (62.6)	\$13.9 (13.9)	\$299.2 (294.2)
Deliveries to Foreign Governments at U. S. Ports*	\$2404.8 (2383.4)	\$1465.0 (1452.6)	\$ 864.5 (855.7)	\$ 24.6 (24.5)	-	\$ 50.7 (50.6)

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of September 13, 1944.

Near the Czechoslovak Government,
LONDON, September 27, 1944.

No. 186

UNRESTRICTED

SUBJECT: Transmitting request of
Czechoslovak Government for
assistance in releasing Jews
from confinement in Czecho-
slovakia.

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

Sir:

1/ I have the honor to transmit herewith a copy of
a letter of September 21, 1944 from Jan MASARYK,
Czechoslovak Minister of Foreign Affairs, inquiring
whether the American Government could assist in
obtaining the release by exchange or otherwise of even
a small number of Jews who are now confined in Czecho-
slovakia, a similar inquiry having been addressed at
the same time to the British Government.

This Mission has supplied a copy of Mr. Masaryk's
letter to Mr. James H. Mann of the War Refugee Board
who is now in London.

Respectfully yours,

Rudolf B. Schoenfeld
Charge d'Affaires ad interim

JRB:TK
Original a hectograph

Enclosure:
1/ as stated.

Miss Chauncey (for the Se

Enclosure No. 1 to despatch No. 186, dated
September 27, 1944, Czechoslovak Series,
Embassy, London.

THE CZECHOSLOVAK
FOREIGN SECRETARY.

No. 6688/conf/44

September 21st, 1944.

My dear Schoenfeld:

May I approach you in the following matter:

The Czechoslovak authorities understand that the Dutch Government has drawn up a list of a considerable number of Dutch Jews who are in German concentration camps, and has handed this list to the International Red Cross, offering to exchange for these Dutch citizens a corresponding number of German civilians who were interned in the Dutch colonies and are now held by the Dutch Government. It seems that the Germans have, for the time being, agreed to exchange about 100 persons, who have been enabled to proceed to Palestine by means of immigration certificates granted to them by the Palestinian authorities, while those who may be exchanged at a later period are already now being separated from the rest and thus saved from forced deportation and possible death.

In this connection the Czechoslovak Government is seriously considering the possibility of securing the release, under conditions similar to the Dutch scheme, of a certain number of Czechoslovak Jews interned at Terezin / in Czechoslovakia / or in other places, and thus saving at least a small number of lives while there is still time. According to the information which the Czechoslovak Government has received the Palestinian authorities have already granted a greater number of entry certificates to Czechoslovak Jews who are interned in Terezin and have close relatives in Palestine. A list of the first names, comprising about 250 persons, is already available at the London office of the Jewish Agency.

The settlement of this problem, however, is considerably complicated by the fact that the Czechoslovak Government does not hold any German subjects whom it could offer in exchange for the Czechoslovak citizens interned at Terezin or elsewhere. Nevertheless, it considers that this obstacle might perhaps be overcome if one of the Allied Governments, on whose territory German civilians are interned, were willing to exchange a definite number of them - up to the present moment about 250 persons would

be involved -

His Excellency
Monsieur Rudolf B. Schoenfeld,
etc. etc. etc.

- 2 -

be involved - for the Czechoslovak citizens who are interned.

I therefore venture to ask whether the United States authorities could see their way clear to consider an exchange of a certain number of German civilians interned on territory under their jurisdiction for a corresponding number of Czechoslovak citizens interned in Terezin or elsewhere, who in this way would be able to utilise the entry certificates for Palestine which the Palestinian authorities are willing to let them have. Should such a scheme be workable, it would mean rescuing at least a small number of our citizens from the inhuman conditions under which they are living.

I shall be extremely grateful if you would kindly let me know at an early date what steps, if any, can be taken in this matter.

I am writing a similar note to Mr. Nichols asking him to bring this matter to the attention of the British Government.

Sincerely yours,

/sgd/ Jan Masaryk

CABLE TO AMBASSADOR WINANT, LONDON, FROM WAR REFUGEE BOARD.

Please deliver the following message to Joseph Linton, Jewish Agency, 77 Great Russell Street, London, from Joseph Schwartz, American Jewish Joint Distribution Committee:

QUOTE OUR REPRESENTATIVE ITALY ADVISES ARRANGEMENTS BEING MADE EVACUATE APPROXIMATELY 650 JEWS FROM YUGOSLAVIA TO ITALY STOP GROUP COMPOSED OF 519 YUGOSLAVS, 16 POLES, 77 AUSTRIANS, 9 CZECHS, 14 HUNGARIANS, BALANCE MISCELLANEOUS, AND INCLUDES ABOUT 150 ORPHAN CHILDREN STOP VIEW FACT THESE PEOPLE FALL CATEGORY PERSONS RESCUED FROM OCCUPIED TERRITORY CAN YOU ARRANGE MAKE AVAILABLE PALESTINIAN CERTIFICATES FOR THEM STOP PLEASE ADVISE UNQUOTE

Following for Mann from War Refugee Board.

Please discuss foregoing with Linton and give all possible support to JDC request.

THIS IS WRB CABLE TO LONDON NO. 5

10:40 a.m.
September 27, 1944
EDrury 9/25/44

PARAPHRASE OF TELEGRAM SENT

To: London
From: Secretary of State
Dated: September 27, 1944
Number: 7881

SECRET

This message from PEA and Department.

We do not object to shipment of supplies in manner described in Stockholm's 1145, September 25 to London, repeated as 3866, September 25 to Department. You may so inform Stockholm if MEW concurs.

In connection with the onward shipment of prisoner of war supplies now in Goteborg, Department would be interested in knowing by what means shipment is to be accomplished of Polish relief supplies from Sweden.

HULL

860C.48/9-2544

CABLE TO AMERICAN POLITICAL ADVISOR, CASERTA, FOR ACKERMANN FROM
WAR REFUGEE BOARD.

For your information Perlmann has cabled JDC here that he is
arranging evacuation approximately 650 Jews from Yugoslavia and that
he is attempting to arrange evacuation further groups. Palestine
certificates are being requested for the 650. Please lend every
assistance to Perlmann in the project and keep Board advised of any
difficulties encountered.

THIS IS WRB CABLE NO. 50

10:40 a.m.
September 27, 1944

FH:hd 9/26/44

WAR REFUGEE BOARD

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

September 27, 1944

8 p.m.

ampolad

CASERTA

181

The following for Ackermann is WRB 50.

For your information Perlmann has cabled JDC here that he is arranging evacuation approximately 650 Jews from Yugoslavia and that he is attempting to arrange evacuation further groups. Palesitne certificates are being requested for the 650. Please lend every assistance to Perlmann in this project and keep Board advised of any difficulties encountered.

HULL
(MMV)

WRB:MMV:KG
9/27/44

CABLE TO NORWEB, LISBON, FROM WAR REFUGEE BOARD.

Please deliver the following message to Elisabeth Dexter,
111 Rua Marquez de Fronteira, Lisbon, from Edward A. Cahill,
Unitarian Service Committee:

QUOTE PLAN FOR SENDING CHAMPSAUR PARIS APPROVED PLEASE
COORDINATE WITH FIELDS PLAN FOR PARIS STOP SEPTEMBER
FIFTEEN RECOMMENDATION FROM FIELD RECEIVED STOP WE
DEEPLY REGRET RECOMMENDATION NUMBER ONE UNACCEPTABLE
FOR THE PRESENT SINCE FUNDS ARE EXCLUSIVELY FOR REFUGEES
WILL TRY SECURE OTHER FUNDS BUT PROGRAM MUST WAIT THERE-
FORE WITH EXCEPTION OF REFUGEES STOP RESOURCES CANNOT
SUPPORT ANNUAL FRENCH BUDGET 120000 DOLLARS STOP EMPHASIZE
THAT RECOMMENDATION NUMBER TWO APPROVED WITHIN AVAILABLE
RESOURCES STOP RECOMMENDATION NUMBER THREE POSSIBLE ONLY
IF OUTSIDE FUNDS ARE FOUND STOP EMERGENCY MONEY FROM
NATIONAL WAR FUND POSSIBLE BUT DOUBTFUL ONLY ON BASIS OF
URGENT REFUGEE NEEDS IN FRANCE ASK FIELD FOR IMMEDIATE
REPORT AND RECOMMENDATION UNQUOTE

THIS IS WRB CABLE TO LISBON NO. 99

10:40 a.m.
September 27, 1944

R Drury 9/26/44

LFG-993
Distribution of true
reading only by special
arrangement. (SECRET W)

Stockholm

Dated September 27, 1944

Rec'd 3:13 p.m.

Secretary of State,

Washington.

3902, September 27, 3 p.m.

THIS IS OUR 85 FOR WRB

McClelland has asked Olsen to supply details regarding any discussions with Germans in Sweden on the possibility of rescuing Jews in Europe. In view of our lack of code communication with Bern please repeat in safe code to McClelland our 41,43,52, and 80 for WRB (Legation's 2362, June 28, 2419, July 3, 2621, July 15 and 3605, September 11 respectively).

Kleist is expected back here in a week or so being presently in Berlin. While he has stated that he expects to be in a position to advance concrete proposals we are not at all optimistic that the will have anything practicable or acceptable to offer.

JOHNSON

JMS NPL

BJR - 113
Distribution of true
reading only by special
arrangement. (SECRET W)

Stockholm

Dated September 27, 1944

Rec'd 7:50 p.m.

Secretary of State

Washington

3926, September 27, Midnight

This is our number 86 for WRS.

Please advise soon as possible whether payment of \$14860.40 for Bardal and mentioned in your WRS 89 (Department's 1925, September 26, 5 p.m.) is error in transmission or simply all of total claim of 99158 kronor 68 are that WRS is willing to pay. Swedish Foreign Office is pressing on behalf of ship owners for immediate payment in full and Olsen has at his disposal sufficient funds from amount transferred under WRS 41, July 28 (Department's 1502 to make full payment if WRS so instructs.

JOHNSON

WRS

Miss Channoy (For the Sec'y) Abrahamson, Aksin, Cohn, Drury, DuBois, Friedman, Gaston, Hodel, Laughlin, Lesser, Mannan, Marks, Pehle, Cable Control Files.

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATE: September 27, 1944
NUMBER: 3332

CONFIDENTIAL

Reference is made herewith to your August 31 cable No. 5707 (form McClelland for War Refugee Board).

This is to advise you that we have not transmitted to London the message contained in reference cable.

The Department understands that under the agreement between the Royal Yugoslav Government in Exile and the Committee of National Liberation the earlier frictions should have been removed now and that authorization has been given to the Government to perform all acts concerning foreign representation, also for the Committee of National Liberation. Messages of this nature therefore need not be transmitted through channels of the United States Government and it is suggested that Cukovac and Bojanic be advised to communicate through the Yugoslav Legation with General Velebit directly.

HULL

SE:TJH:LIM

Paraphrase: DCR:EBH:MEM 10/2/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATE: September 27, 1944
NUMBER: 3333

SECRET

For McClelland from War Refugee Board.

Please deliver the following message to Saly Mayer from
M. A. Leavitt of the American Jewish Joint Distribution Committee:

QUOTE HAVE RECEIVED INFORMATION URGENT NECESSITY
IMMEDIATE FUNDS REQUIRED FOR RELIEF AND RESCUE NORTHERN
ITALY. KNOW YOU HAVE BEEN MAKING AVAILABLE THIS AREA BUT
WOULD URGE IN VIEW THIS NEW INFORMATION YOU MAKE EVERY
EFFORT ADDITIONAL AMOUNTS IMMEDIATELY THIS SECTION.
SUGGEST YOU DISCUSS THIS WITH MC CLELLAND AND TAKE ALL
NECESSARY STEPS BEST WISHES HAPPY NEW YEAR UNQUOTE
THIS IS WRB CABLE TO BERN NO. 184.

HULL

BJA - 160

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

Ankara

Dated September 27, 1944

Rec'd 10:44 p.m.

Secretary of State,

Washington.

1838, September 27, 1 p.m.

Please transmit following message for WEB from Leon Denenberg to Frank Kingdon Shebastrunsky International Rescue and Relief Committee, 103 Park Avenue New York City.

I have sent you two cables, one through NY the other in clear explaining the situation here also a report which I submitted to Hirschmann and other material through friends. IIRC Committee comprising the best pro-democratic refugees in this part of the world is functioning well and will extend its activities to the Balkans and southeastern Europe. I have transferred \$5,000 to Professor Alexander Kustov Vice Chairman and Treasurer of the Committee with the approval of Ambassador Steinhardt and Hirschmann. Relief to Austrian, Czech, and German anti-Nazis who are now in Turkish internment camps has already been extended by the Committee. The Czech member of the Committee and Balkan correspondent of the BASLER NATIONAL ZEITUNG Reuter's and SVENSKA DAGBLADET Wolfgang Brithels has departed for Bulgaria also with instructions to extend aid to democratic elements. He will report upon his return.

Together with Gilbert (?) of the International Red Cross I have given to the Free French representative your list of non-Jewish Hungarians who are not entitled to Palestine certificates, in order that they may obtain Syrian visas. French representative promised to (?). However the situation is hopeless since all communications with Hungary have been cut. War Refugee Board has been informed by Hirschmann by telegram regarding the IIRC Committee in Turkey. I plan to leave Turkey in two weeks.

Please telegraph information concerning your arrangements with UNRRA at once in care of American Embassy Ankara.

JMS:NPL

STEINHARDT

BJR - 180

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

Ankara

Dated September 27, 1944

Rec'd 10:44 p.m.

Secretary of State,

Washington.

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Please telegraph information concerning your arrangements with UNRRA at once in care of American Embassy Ankara.

JMS:HPL

STEINHARDT

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Moscow
TO: Secretary of State, Washington
DATED: September 27, 1944
NUMBER: 3690

CONFIDENTIAL

Reference is made herewith to Department's cable of September 23, no. 2276.

Today I have expressed to the Foreign Office the War Refugee Board's concern for the safety of the Jews reported to survive in Lodz. I have asked the Foreign Office to keep us informed of any information that they may acquire on this matter.

HARRIMAN

DCR:VAG 9/28/44

NOT TO BE RE-TRANSMITTEDCOPY NO. 11SECRETOPTEL No. 315

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

1. NAVAL

A U.S. Minelayer was mined off entrance to HAVRE 25th. One of H.M. Aircraft Target Ships mined early this morning off ABERDEEN.

OSTEND, The first two cargo ships entered with stores on 25th.

One of H.M. Submarines probably sunk escorted ship 1350 tons, Gulf of Salonika last night. Two of H.M. Destroyers sank convoy of five craft near SCARPANTO (DODECANESE) on 24th/25th.

2. MILITARY

WESTERN EUROPE. Base of ARNHEM corridor widened and strengthened. Airborne troops withdrawn south of Lower Rhine at ARNHEM. Assault on CALAIS continues. On 24th U.S. troops advanced several miles northeast from EPINAL and 1st French Corps attacked eastwards about 16 miles north BELFORT.

ITALY. Heavy fighting on both Army fronts. 8th Army troops have secured bridgeheads across RUBICON which have since been extended. U.S. Forces have made some slight gains against stiff opposition.

RUSSIA. Russians are now about 40 miles from RIGA on northeast and east. They have also gained some ground south of PRZEMYSL.

3. AIR OPERATIONS

WESTERN FRONT. 26th. 516 Bomber Command aircraft dropped 2775 tons on German defences Gris Nez and 825 Calais. Weather good, marking good. 2 bombers missing. U.S. heavy bombers attacked railway centres OSNABRUCK - 850 tons, HAMM - 735; and also dropped 920 on aircraft components factory BREMEN. Enemy casualties 32, 1, 8. Ours - 9 bombers, 3 fighters missing. Medium bombers released 200 tons on strong point BRESKENS, northwest of TERNEUZEN and on road and railway junctions CLEVE. Troops and supplies were taken to Holland and Belgium by 351 aircraft.

26th/27th. Aircraft despatched: KARLSRUHE - 237; FRANKFURT and HOMBERG - 56 Mosquitoes; Bomber Support - 66. 2 aircraft missing, 1 crashed.

MEDITERRANEAN. 25th. 600 light bombers and fighters (6 missing) attacked communications and positions Northern Italy.

4. HOME SECURITY

26th. About 50 shells on DOVER.

26th/27th. 6 flying bombs plotted.

September 28, 1944
9:30 a.m.

SIXTH WAR LOAN DRIVE

Present: Mr. D.W. Bell
Mr. Gamble
Mr. Smith
Mr. Murphy
Mr. Haas
Mr. Tickton
Mr. Lindow
Mrs. Klotz

H.M.JR: Where are we now? What is cooking, Dan?

MR. BELL: You said you wanted to continue the discussion. We have a Treasury bill matter to discuss, and I understood you wanted to discuss expenditures after X-Day.

H.M.JR: So far it hasn't been a discussion; it is just one-way traffic. We were to go into bills?

MR. BELL: That was one subject we wanted to discuss. Which do you want to take up first, the expenditures after X-Day, or the bills?

H.MJR: I am interested in expenditures.

MR. BELL: I thought you would be.

H.M.JR: Incidentally, I asked you to get the OWI release which may bear on this subject.

MR. SMITH: It is on the way over. I have sent a messenger for it.

H.M.JR: Go on, please.

- 2 -

Mr. LINDOW: These are the cut-backs which we used on munitions, thirty percent in two months after X-Day.

This is production, not expenditures, forty percent in six months and then we ran it up to fifty percent by the twelfth month. (Refers to Chart A, attached)

WPB has told us they think forty percent is the best guess now, but that it is their honest opinion that it will go on after maybe six months, that it will gradually increase. Therefore we pushed it up to fifty percent.

Now, those cuts vary quite a lot by munitions lines; aircraft, you notice - in two months aircraft would be down twenty percent, ground army down fifty percent, Navy ships, ten, merchant ships, twenty, and other items, construction and industrial lend-lease, would be down sixty-five percent.

They would go up in different amounts, too; aircraft would go up slowly to twenty-five, ground army a little more - to sixty, Navy ships to twenty-five - that is a slower cut, altogether - merchant ships to fifty, and the lend-lease and construction items to eighty.

Now, if we apply those to the expenditures we get a picture like this. (Refers to Chart B, attached)

I have three columns here; the present level, the twelfth month after the German defeat, and the first full year after the German defeat. Munitions are now running at a level of sixty; the twelfth month after the German defeat they would be thirty, and for the full year they would be thirty-six. There is a lag, then, in the Treasury expenditures which would raise that thirty-six to forty; so you would have in the Treasury expenditures on munitions, forty, as compared with sixty at the present time.

Pay and subsistence of armed forces would be down from twenty-two to twenty, which assumes a two million man-drop in the armed forces.

- 3 -

Other war expenditures would be about the same, at eleven billion, as termination payments and mustering-out pay came into that group. So total war expenditures for the first full year would be seventy-one. Adding nine billion, the present rate for non-war and interest would give you eighty billion, the figure you asked for, as against a hundred and two level now. The annual rate in the twelfth month, however, would be sixty-six; it is averaging down.

Now, the application of some of these figures to the details are in these other tables. (Hands Secretary Charts C,D,E,F, and G, attached)

H.M.JR: No, I think if we are going to use them, I think we ought to use the figure eighty billion and not give the people the break-down. On that basis they would let us get away with it. You have got to use net figures.

MR. LINDOW: Let me take the last statement - you mean after receipts.

H.M.JR: Yes.

MR. LINDOW: Expenditures eighty, less receipts of about forty gives you a deficit of forty, and redemptions and maturities would run about twenty, which would give you a financial outlay of sixty. Your borrowing program would have to be something like sixty unless you drew down the cash balances.

H.M.JR: Sixty, as against what?

MR. LINDOW: For this fiscal year we are talking about slightly over sixty. Receipts go down as your expenditures go down, and redemptions go up as your expenditures go down, because you are assuming to get into some unemployment; so you don't gain very much on the borrowing program in this first year.

H.M.JR: I am now talking, Fred, particularly down your alley. What I would like to get over are two things:

- 4 -

First, the thing which I am going out to talk about, and that is using these figures without analyzing them or questioning them. I take it that George knows his work - he ought to by now - I take it that you have shown this to somebody else.

MR. HAAS: We checked all around town, except Lubin. What do you think? He is usually--

H.M.JR: I was thinking this, that the best estimate that we can give you is that this war is going to last for two years - that is why I want to see the OWI thing - after fighting stops in Japan, and for the first twelve months after X-Day, we will have to spend eighty billion dollars on the war as against a rate of a hundred billion. Now, I don't think I will give the sixty figure.

MR. BELL: You wouldn't give the sixty?

H.M.JR: I think it would scare them.

MR. BELL: I think that is the most important figure of the lot. Whatever happens on the European front, for twelve months after what happens, you are going to have to borrow about the same amount of money as you would if the war continued?

H.M.JR: Anybody in this room voting for Dewey? If they are, I will ask them to step out a minute!

MR. BELL: You want to make a statement?

H.M.JR: Yes.

MR. HAAS: Non-political speech.

H.M.JR: That comes perfectly within the Hatch Act, I hope!

Well, to be completely frank with you, and I have to be, in this talk, I was thinking last night, if in the many, many things which I am trying to get over as part of the thing, I can get over that we still have a two-year

- 5 -

war, and it is still going to cost a hell of a lot of money, that is good for Roosevelt. Let's be very honest. I was trying to think whether it is good or bad for Roosevelt. When I got all through, it seemed to me that to talk about the war going on for two years, and we need this man who has had the experience of waging a successful war - I mean, I am not going to say that, but the net result is, we still have a two-year war, and we still have a damned expensive war. What do you think, Fred?

MR. SMITH: I think you should say it. Obviously it will be good for Mr. Roosevelt because all the figures on the fall of Paris show that. He lost ground when Paris fell; we know that from the polls.

But aside from that, I think the fact that it is going to cost as much money to keep the war going in Japan as it is costing right now is something that ought to be told. I am inclined to agree with Danny that you ought to point that out above everything else. If you say it is costing a hundred billion dollars now, and it is going to cost eighty billion dollars afterwards, the conclusion is it will only cost eight-tenths as much and only be eight-tenths as much borrowing. That is the quick assumption the newspaper editors will take - that you are going to cut down. The fact that you can't cut down is news. If you have a legitimate reason for not cutting down, which you have--

H.M.JR: We don't have a legitimate reason - I mean, we have the facts.

MR. SMITH: I mean, it isn't so you can maintain the War Production board and the OPA, and all the Government agencies; it isn't because you are reluctant to let the Government go down to normal again; it is just because of the way the war will go on. It is all war costs.

H.M.JR: I was very much interested in picking up this OWI release - which, incidentally, only PM picked up--

MR. GAMBLE: The Post had it this morning.

- 6 -

H.M.JR: Did they? And thinking about it, it seemed to me that if in this speech - of course, I wouldn't do it for politics unless it made sense, and also, when I get through, Gamble has to say, as my Sales Director, "Is this going to help me sell bonds?" See? We have got to cross that hurdle.

But I should think from Roosevelt's standpoint in the campaign, if I pointed out at this time that this war is going to run another two years and it is going to cost the Treasury just as much - what?

MR. GAMBLE: I think, Mr. Secretary--

H.M.JR: I mean we will have to borrow as much.

MR. GAMBLE: Yes, or nearly as much. I think if you said "as much" that you weaken it.

H.M.JR: We will give them the figures.

MR. GAMBLE: It isn't quite as much.

MR. BELL: I think that sixty billion is a little high, but there is a margin of error here which you can't get around.

H.M.JR: It would sound more realistic if it were a little bit less.

MR. GAMBLE: It is going to be within five billion dollars.

H.M.JR: Does this surprise you?

MR. GAMBLE: Doesn't surprise me.

H.M.JR: Did you know that?

MR. GAMBLE: Yes, sir, I knew part of it.

H.M.JR: It has been said?

- 7 -

MR. GAMBLE: No, no, no, it hasn't been said at all. The reason I knew part of this, Mr. Secretary, is because you gave me this information from the Army. That jibes with this. The Navy isn't going to cut. I had seen the OWI release three weeks ago.

H.M.JR: Is that the one you had something to do with?

MR. GAMBLE: Yes.

H.M.JR: But the thing that bothers me is the twenty billion dollars. I mean, if we talk about twenty billion dollars in redemptions I think you scare people.

MR. LINDOW: It will be misinterpreted.

MR. BELL: I am a little afraid of the whole picture, myself, because you are going to be asked a lot of questions. How could you possibly have to borrow sixty billion dollars when you have cut your expenditures over twenty. You have got to break it down before it is over with. You say twenty billion dollars of redemptions in there; they will say you are getting a little scared about your demand obligations.

MR. GAMBLE: You have to say a good part of that is maturities, too, not redemptions.

MR. LINDOW: Refinancing.

MR. HAAS: Refunding.

MR. BELL: Five billion dollars in savings bonds and ten billion in savings notes, which is fifteen billion dollars of the picture.

MR. GAMBLE: Isn't it, in the commonly accepted sense, a refunding?

MR. MURPHY: If you use the word refunding, the figure runs up tremendously, but you have your whole maturities and certificates and bills--

- 8 -

H.M.JR: Excuse me, Henry. Were you at my press conference in Chicago?

MR. MURPHY: No, sir. I didn't see the editorial. I read the New York Times press account.

H.M.JR: Get it and read it.

MR. MURPHY: I shall.

H.M.JR: You have got to keep up on these things. You ought to all read it to get the background. The whole point is we are going to have this terrific refunding because I borrowed on such a short-term basis, and then I come out and talk about this big redemption, and everything else - the Tribune says, "We told you so. He saves four billion dollars interest, but he has to do the whole thing over again and will have to borrow at higher rates."

MR. MURPHY: They should read Dewey's speech, then the rates will continue low!

MR. BELL: Would you consider doing this for six months, June 30, 1945, and not dwelling so much on figures?

H.M.JR: How would that look?

MR. BELL: Well, there would be very little change in your picture on all fronts.

H.M.JR: What are you afraid of?

MR. BELL: I'm afraid of redemptions, that you will be forced, sooner or later, to break down the sixty - then your redemption figure will show up.

H.M.JR: I agree with you.

MR. GAMBLE: May I make a statement about it? The Army, Mr. Secretary, is going to come out and make a statement immediately on the heels of the collapse of Germany, as you know, and it is going to be in the direction of how much money the Army has saved in the cost of the war.

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The American public is going to be given the impression that fifteen or twenty billion dollars has been cut off of their expenses like that. These war production statements are about forty percent cut-backs; everybody makes all their own statements independent of the Treasury Department. They don't concern themselves with your problems.

I think, sooner or later - I agree with this statement about the sixty billion, but sooner or later you are going to have to say that all this conversation doesn't make our job any easier, and the public is being misled, in a sense.

H.M.JR: Yes, well, what is going through my head is, I wonder if I wouldn't be on safer ground - I know I asked for this - if I simply said that - make some official statement that the best estimate is that the war is going to last for two years. Of course, their estimate now is eighteen months, that is the new estimate - after X-Day. "And it is going to be a very expensive war," period. Do you see? Then when I begin actually to talk, around the 20th of November, I can pour the thing on and give them the facts.

What do you think, Fred?

MR. SMITH: It might be better. You would be on safer ground.

H.M.JR: Because you just don't know what these damned Republicans will do with what you say now, or how they will twist it.

MR. SMITH: On top of that, your VE-Day may be a long way off yet, in November. Did you see Churchill's statement this morning? The German war is going to go well into 1945.

MR. BELL: It just came over the ticker. They have got it outside.

(Mrs. Mannen brings in Churchill's statement)

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H.M.JR: (Reading) "Prime Minister Churchill suggests the war in Europe may continue well into 1945 and deprecated people being carried away in premature expectation of early cessation of fighting."

Well, he is trying to be helpful, too.

MR. SMITH: That is what the wrong people are going to think!

MR. HAAS: Well, the talk about all the mud over there, and so forth, leads to the conclusion.

H.M.JR: Not all the mud is over there!

I think the safest thing is for me to talk about a two-year war - expensive, and so forth, and then say, "You people can use your own imagination as to what it is going to cost. Your guess is as good as anybody else's. The answer is, we are going to need a hell of a lot of money; we will need a better war bond organization because instead of having a two-front war, we are only going to have a one-front war, and with all the problems that go with it - so you fellows have to be better than you have ever been before."

How is that?

MR. GAMBLE: I think you could add to that if you only make it six months - that the demands on the Treasury, regardless of talk about cut-backs, regardless of savings and appropriations, our job in the next six months is equal to any six-months period that we have had.

H.M.JR: I will tell you why that isn't good. I slipped a little bit in Chicago. They asked me about taxes. I said, "Sure, taxes are going to get a little less," you know - trying to be helpful!

MR. BELL: That didn't help any!

MR. HAAS: That was Boston, wasn't it?

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MR. BELL: Yes, it was Boston.

H.M.JR: Just trying to be helpful. So, do you mind? (Laughter) I don't want to sort of infer that taxes may be a little bit less, so let's just leave it and talk about the length of the war. I don't want to leave these notes to my successor.

MR. BELL: I suppose you are going to leave all these notes to your successor.

H.M.JR: Oh, yes!

Well, is that all right? What do you think, Mrs.Klotz? Do you have anything?

MRS. KLOTZ: No.

H.M.JR: All right, we will talk about the length of the war, and we will take a look and see how far OWI went overboard.

MR. SMITH: All right.

H.M.JR: That is all right with you, Mr. Man?

MR. GAMBLE: Yes, sir.

H.M.JR: What is the next thing, Mr. Bell? These things aren't easy to study.

MR. BELL: Certainly aren't. The next thing is whether or not we are going to have any bank financing before the drive. We will go into November, if we maintain the present rate of expenditure, with about eight billion dollars; and we may go out of November, unless we are able to get some money in the drive, between the 20th and the 30th, with about three billion.

H.M.JR: Start over again, please.

MR. BELL: We will go into November with about eight billion dollars in the balance. Now, your drive doesn't

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start until November 20, and the statement date would likely be December 1. Now, we won't get very much money in between the 20th and the 1st, so our balance on the 30th would probably be down to three billion dollars, and maybe lower. Now, that is pretty low, and if something should happen in the meantime, and your drive wasn't a success, you might be just a little too low, and we think we ought to have some interim financing. George has recommended in his memorandum he submitted to you that we start Treasury bills. As a matter of fact, he recommended we start them on the 16th of September, I think, but that has passed. And he recommended we start two hundred million dollars a week and run them right through, even through the drive and through next year.

H.M.JR: What are they, a hundred now?

MR. BELL: A billion, two, is the amount each week, and there is no new money.

H.M.JR: What is the amount each week?

MR. BELL: A billion, two, each week.

H.M.JR: No!

MR. BELL: That is right.

MR. MURPHY: So smooth you can't hear them drop!

MR. BELL: We have got two hundred million dollars a week additional beginning, I think, May 3, and then after we ran the cycle, why we stopped. So now we are just rolling over a billion, two. The Federal recommends no bills except in cases where you actually need new money to replenish your balances, and they are not in favor of new bills at this time because of the strength in the market.

The bankers recommended a hundred million dollars additional a week for eight weeks, with a two billion dollar one and a quarter percent note November 1, and the Federal would like to have a two or a three billion dollar one and a quarter percent note or one and a half percent note.

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H.M.JR: When?

MR. BELL: Around November 1.

H.M.JR: Oh, hell. (Laughter)

MR. MURPHY: You might be able to hear that drop!

H.M.JR: Isn't it amazing how people get in a channel and they are just always consistent and say the same thing. I suppose they say the same thing of us.

MR. BELL: Would you be afraid of a financing just before election?

H.M.JR: I wouldn't consider it. I would do it now, do it tomorrow.

MR. BELL: October 1?

MR. GAMBLE: Isn't there some danger to that, the size of the Treasury balance, the same criticism?

MR. BELL: The Treasury balance will be about thirteen billion dollars going into October. Will you be afraid of a three billion dollar balance going into December if you don't get any payments on war loans before that?

H.M.JR: Well, if you do the hundred million a week, how much would that be?

MR. BELL: A hundred million a week for eight weeks is eight hundred million.

H.M.JR: You can't do two hundred a week?

MR. BELL: Yes, that would be a billion, six. That would be over four billion.

H.M.JR: Talk about that a minute, will you please? I wouldn't do this on the 1st of November. I planned for three years this would come just before November.

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(The Secretary leaves the conference temporarily.)

H.M.JR: What did you boys decide? I am kind of low this morning. I don't know whether you will recognize it.

MR. BELL: I think we ought to discuss with the Open Market Committee what there is left of it, the matter of beginning next week with two hundred million dollars.

H.M.JR: I like that.

MR. BELL: We can say at least during the period up to November 23, which would be three days after the drive starts, and we may want to take another look at it then. That would give you a billion six additional, and make your balance around four and a half, possibly, and that would probably be all right.

H.M.JR: Boys?

(General agreement)

H.M.JR: That would fall gently, wouldn't it?

MR. MURPHY: It would, Mr. Secretary.

MR. GAMBLE: If there is any additional bank financing contemplated during this period, I think it would be wise not to even mention it until just before the start of the drive; which will be after election; and then suggest that some issues will be offered to the banks, not even stating the quantity before the drive actually starts.

MR. HAAS: I don't think you have to make that announcement.

H.M.JR: This would be done; nobody pays any attention to it.

MR. GAMBLE: But my point is, it should not be done before November 15.

H.M.JR: The two hundred million a week?

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MR. GAMBLE: No, I am talking about the additional. Mr. Bell has a program which calls for financing over and above the bill program.

MR. BELL: The billion, six, I think, will put our balance over.

MR. GAMBLE: But you are talking about three billion.

MR. BELL: We just bring our balances down a billion, four.

MR. GAMBLE: And you won't have any announcement during that period.

H.M.JR: The answer is no. This would take care of it.

MR. BELL: There has been a suggestion that we have bank financing right after the drive, and we announce it as we go into the drive in order to keep the banks out of it. I don't think we ought to have bank financing after the drive. Our balances will be way up, and I don't think it will look very good. If you have bank financing along in February or March, it will be all right.

MR. GAMBLE: I agree. I just wanted to put a stopper on it as to the announcement.

H.M.JR: All right. What is the effect on excess reserves, leaving the bill thing out, if we draw our... .. balances down ten billion dollars?

MR. MURPHY: Since you are drawing down balances in commercial banks rather than in the Federal Reserve Bank, the only effect on reserves is that the accounts are transferred from you to private parties, and they come to have a reserve requirement equal to about fifteen cents on the dollar, so that every dollar of money that you draw down increases reserve requirements about fifteen cents, and the Fed has to buy fifteen cents worth of Government bonds in order to replace those reserves.

H.M.JR: So they will be buying the bills?

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MR. MURPHY: Yes.

H.M.JR: They really need the bills?

MR. MURPHY: That is right.

H.M.JR: Because we will be drawing our balances very sharply.

MR. MURPHY: And currency will be going up fairly sharply during this period, too, so the Fed will have to buy a dollar in Federal securities for every increase in currency.

H.M.JR: So the increase to two hundred million makes sense.

MR. MURPHY: Very much so.

H.M.JR: Well, I think you ought to take that up promptly.

MR. BELL: Well, we have a meeting next Wednesday.

H.M.JR: But you might prepare them for this.

MR. BELL: I told Rouse yesterday that one of the things we wanted to discuss with him was additional bills, possibly two hundred million a week. Well, he doesn't like it, of course, but Eccles and Sproul won't be here. So we will have Ronald Ransom.

H.M.JR: I am satisfied. I hate to have a bank financing, either just before or around the 1st of November, or right after. I don't think it is good either way.

MR. GAMBLE: Do you want to discuss the quota, Mr. Secretary?

H.M.JR: Just a moment. You remind me of Mr. Churchill. He came up there with just one thing in mind. No matter what came up, he was interested in just one thing.

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MR. BELL: There is one thing here I might call to your attention. This came to my attention yesterday from Wallace Fulton, who is head of the Securities Association. He said that SEC had sent out a number of letters to institutions such as his and the New York Stock Exchange and every little exchange in the country; even the Washington exchange here got a letter to send a representative to Philadelphia next Monday, I think it is, to discuss what kind of an educational campaign can be put on to protect the little investor, principally the savings bond investor. I think that is a very inopportune date, to be right on the day that we put out this new redemption procedure to commercial banks. I think they will get the wrong impression, that maybe we are scared about redemptions. I don't know why they would do it without consulting the Treasury. The newspaper comment on it won't give you enough to indicate what it is, but Wallace Fulton let me read the letter.

I wonder if you thought we ought to call up Ganson Purcell.

H.M.JR: Can you do it with a roughness in your voice?

MR. BELL: I can do it. I don't know whether we can call it off, because it went all over the country, and people are on their way.

H.M.JR: I would call him up and tell him when it comes to discussing that thing, we feel that when we want his help we will ask him for it.

MR. BELL: I think he should have consulted the Treasury.

H.M.JR: Can you be a little rough?

MR. BELL: Yes, and it worried Fulton, because we talked about it before as to what the security dealers could do to keep the people from turning in their bonds for rotten securities.

H.M.JR: All these little independent agencies all over with no boss all the time--

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MR. HAAS: And with nothing to do--that is the trouble.

MR. BELL: I will call him.

H.M.JR: Be a little rough if you know how.

MR. BELL: That is hard.

MRS. KLOTZ: He doesn't know how.

MR. GAMBLE: We have discussed two quotas, Mr. Secretary, the twelve and fourteen billion dollars. Most of our people feel that there aren't any problems that are going to arise that won't make a twelve billion dollar goal just as much of a chore for them as the fourteen billion. They think fourteen billion dollars psychologically is much better because the need for the money is great. The Treasury wants sixteen billion dollars. The establishment of quotas on fourteen billion dollars, they think, will give their people a more realistic understanding of the job ahead of them. They are fearful that if we cut to twelve billion dollars, after the sixteen in the last drive, that they won't get as good a job done as they would with a fourteen billion dollar goal. It was recommended that the five billion dollars is a sizeable chore.

H.M.JR: The five compared with what?

MR. GAMBLE: Five and nine against six and ten.

H.M.JR: And of the five, how much would be E's?

MR. GAMBLE: Two and a half as against three.

H.M.JR: Well, of course, I have changed over night now that I have seen these figures and Smith and Alan Barth yesterday; I could see them nodding their heads back and forth and up and down as though they were in pain about the idea of the effect on the public if we asked for too little if we needed so much. Is that a correct interpretation?

MR. SMITH: It is good enough for commercial purposes.

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H.M.JR: For commercial purposes? You mean you sing the song and I do the commercials? (Laughter)

Incidentally, I ran into David Levy last night. He is in the Navy.

I said, "I suppose you are doing anything but radio work."

He said, "Well, I have up to now, I have been doing moving pictures, but the Navy has put me in charge of radio in Chicago."

MR. GAMBLE: I think just for this big show the Navy is putting on with us in Chicago. The Navy is putting on a quarter of a million dollar show.

H.M.JR: He evidently is running it.

MR. GAMBLE: He has been working on movies for us, Levy has. Dave is making four pictures for us to distribute in factories during the 6th War Loan.

MR. SMITH: Is he any good?

MR. GAMBLE: He is very good in connection with scripts, particularly the use of some people like Nimitz and Halsey in connection with the pictures and the preparation of their speech material, and that sort of thing, the smoothness of it.

H.M.JR: What is this I hear, that OWI wants me to go to the Pacific?

MR. GAMBLE: They made the suggestion--in the first place they are up against this problem: Radio networks do not want us, as you know--they told us before the Fifth--to repeat the same kind of an opening operation as we have had in the past two drives. We have told them that wasn't their prerogative in the last drive, but we did infer we would discuss with them what kind of an opening broadcast we would have and have them identified with it. They have

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come up with a recommendation that all four networks do a half-hour show and one follow the other for two hours on the air, each network identifying itself as being a part of the two-hour Treasury broadcast, and after these two-hour shows have been completed that we have just the President of the United States introduced by yourself on the program, after two hours of buildup, and that that would be the opening broadcast.

Then OWI--they knew we would be thinking in terms of trying to do a more comprehensive job, and they came up with the suggestion that they would like to see you, instead of making speeches from Texarkana or some place else, they thought it would be helpful if you could get tied with Nimitz and a couple of his people on a broadcast from Honolulu, MacArthur from some place in the South Pacific, and a couple of his soldiers, and taking GI Joes--

H.M.JR: Could I do this by remote control?

MR. GAMBLE: You could, but you might also want to do it by going out there.

MR. BELL: He won't want to do that!

H.M.JR: No.

MR. GAMBLE: As a matter of fact, their suggestion was it be done on the spot. They are working on quite a program, Mr. Secretary, of which this release is a part. They have a big Navy program of advertising and promotion. It is just breaking, and we have tied it into some of our material. They think we have the biggest chore of the war in the next three months to sell the people on the size of the war out there.

H.M.JR: Anyway, I have been thinking a lot about this thing, and I think one of the troubles is that we didn't take Elmer Davis in at the beginning. I was thinking I might either call him up on the phone or ask if he would come over to see me to talk about the quota and let him feel that he is a part of this thing. Do you see? We have never

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consulted him in advance. There can't be any harm. What do you think?

MR. GAMBLE: I think it would be a waste of time, but-- Elmer Davis is about as close to the Office of War Information as he is Chiang Kai-shek's general staff.

H.M.JR: I know, but he does an awful lot of blowing over there.

MR. GAMBLE: He hasn't lately, Mr. Secretary.

H.M.JR: What is the harm of that?

MR. GAMBLE: I wasn't thinking of the harm, I was thinking of the use of your time and the fact it wouldn't result in anything. Elmer is still up in that tower. He has never come down.

H.M.JR: I still think that maybe some of this stuff has been our fault. He feels that he is coordinating the thing, and we make these decisions and he hears about them. Nobody has been talking to me. I am personally about ready to say fourteen. Where are you?

MR. BELL: Fourteen.

H.M.JR: Where is everybody else?

MR. LINDOW: Fourteen.

H.M.JR: God, what a job has been done on me this time!

MR. BELL: I am the original fourteen.

MR. HAAS: We were for twelve, Mr. Secretary.

H.M.JR: How much money is there to be gotten?

MR. HAAS: Sixteen.

MR. GAMBLE: There is more money available than there was in the last drive. Now, the only contraction of that

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would be some corporation fund if Germany collapsed tomorrow and they started cutting back, but I don't think--

H.M.JR: Well, the people seem to think that even if the thing happened almost right away no corporation would need any money the rest of the year.

I haven't this thing, but I will give it to George to read, and I am anxious to have it back, George. We were talking about that, and they dug up a couple of bulletins, and they want them back. You might see if there is anything in there that you knew. (Secretary hands Mr. Haas envelope containing the following pamphlets: "Finance," August 25, 1944, "Conference Board Business Record," March, 1944.)

MR. HAAS: McNutt replied in pretty good shape to your letter about employment by States and what would happen on X-Day.

H.M.JR: Why don't we leave it this way? If Davis can't come this afternoon, I won't postpone it, but I will let you know, and I will have Bell and Gamble and Smith sit in with me when he is here, and we will have a little talk.

MR. GAMBLE: You might suggest he bring Ed Klauber, his assistant. He is this CBS radio executive that really is running that part of OWI.

(The Secretary leaves the office temporarily.)

H.M.JR: That was Clifton Fadiman of the War Writers Board. He wants to help us on this thing on Germany.

Well, I have this call in for Mr. Davis. Does this clear up everything now?

MR. BELL: To this point, yes. Next week we will have some more.

H.M.JR: Well, let's not prolong the agony.

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MR. GAMBLE: Do you think it would be wise if you make that decision today to have a press conference later this afternoon on the quota and the date?

H.M.JR: I don't want to see the press, because they will go into these other things.

MR. GAMBLE: You wouldn't be opposed to releasing the information?

H.M.JR: No, no, I wouldn't mind its going out.

MR. GAMBLE: On those two things, Mr. Bell, there is a very bad story this morning in the Times Herald.

H.M.JR: What does it say?

MR. BELL: You mean the date and the amounts?

MR. GAMBLE: They got this information from a couple of bankers, and the bankers had this and that to say, and so forth. I don't think it is true. I think somebody found something.

MR. BELL: What do you mean, you think it isn't true?

H.M.JR: Here it says the 6th War Loan date is on November 20, and the goal is fourteen billion dollars. This is the New York Herald Tribune. Then you people come in here and ask me to make up my mind.

MR. SMITH: Nobody has anything to worry about. It came out all right.

MR. GAMBLE: The details were agreed on in a closed session of the Treasury attended by bankers and leading fiscal experts.

H.M.JR: Here it says that the Treasury has tentatively set November 5, the beginning of Thanksgiving week is the start of it--I mean November 20. Mr. Gamble feels that this is the approximate date on which to start the drive.

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MR. GAMBLE: My point was that I thought that so long as it is liable to get out that you ought to release the complete statement on it and get it out as quickly as possible.

H.M.JR: I still think, though, it can't do any harm to go through the motions of asking Elmer Davis. It can all be written and prepared, and I am going to ask him to come over at three o'clock, and we hope to release it by four.

When I go to these meetings on this trip, is there going to be any music?

MR. GAMBLE: If you want it.

(The Secretary holds a telephone conversation with Mr. Elmer Davis, as follows:)

September 28, 1944
10:42 a.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello. Hello.

Operator: Hello, Mr. Davis? Hello?

Elmer
Davis: Hello.

Operator: There you are.

HMJr: Elmer Davis?

D: Yes, Henry.

HMJr: Morgenthau.

D: Yeah.

HMJr: How are you?

D: Oh, pretty fair.

HMJr: Look, we're in the process of making up our minds today as to the size of the Sixth War Loan.

D: Yeah.

HMJr: And it's a question of public reaction whether we should make it twelve or whether we should make it fourteen, and if you had the time and if you were interested I'd be delighted if you'd drop over with one or two of your people and talk about it.

D: Ah -- what time?

HMJr: How's three o'clock?

D: Three o'clock?

HMJr: Yes.

D: Your office?

HMJr: Yes, sir.

D: All right. I'll -- I think I can be there myself and if not, I will have George Healy -- you know him, of course.

HMJr: No, it's no use -- if you can't come, I -- I don't want to bother.

D: Well, Healy -- Healy's outfit is the one that will have charge of any participation we have.

HMJr: No, I wanted

D: I'll be there myself

HMJr: I wanted your own advice.

D: Well, I'll be there then.

HMJr: And

D: For whatever it's worth if you want it.

HMJr: Yeah. And, I mean, frankly, I wanted your own opinion and not somebody else's.

D: All right, I shall be there. Do you want me to bring anybody else along?

HMJr: Bring anybody you feel like.

D: Okay.

HMJr: I think Klauber is interested in this.

D: Yeah. He'll be in by that time.

HMJr: Right.

D: Shall I bring him over?

HMJr: If you would.

D: All right. First rate.

HMJr: Thank you.

D: Three o'clock at your office.

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HMJr: Right.
D: All right.
HMJr: Thank you.

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MR. GAMBLE: Healy is going home the 15th of November.

H.M.JR: Well, look, I am trying to use a little honey.

MR. GAMBLE: There is no harm in it. I have a great deal of respect for Elmer Davis' opinion. I think he would be a good fellow to get a reaction from.

H.M.JR: You do, or don't?

MR. GAMBLE: I do.

H.M.JR: Then it will be Bell, Haas, Fredrik W. Smith, Theodore Roosevelt Gamble.

MR. SMITH: When do you want to talk about your speech again?

MRS. KLOTZ: Tomorrow at nine-thirty.

H.M.JR: And have you seen this release? (Hands Mr. Smith OWI release of September 28 on the length of Japanese war.)

MR. SMITH: No, it just came in.

H.M.JR: Well, I can't read it between now and twelve.

MR. SMITH: I will.

H.M.JR: But get it back personally to Mrs. Klotz, if you please.

Assumed Cutbacks in Munitions Production
after German Defeat

Month	Cumulative cutback (percent)					Total
	Aircraft	Ground: army	Navy :ships	Merchant: ships	Other : 1/	
X + 2.....	20%	50%	10%	20%	65%	30%
X + 6.....	25	60	25	50	80	40
X + 12.....	40	65	40	60	90	50

Office of the Secretary of the Treasury, September 27, 1944.
Division of Research and Statistics.

1/ Construction and industrial lend-lease.

Annual Rates of Federal Expenditures at
Selected Periods

(In billions of dollars)

	: : Present : level :	: : 12th month : after : German : defeat	: : First full : year after : German : defeat
Munitions:			
Production:			
Aircraft.....	20	12	14
Ground army.....	18	6	7
Navy ships.....	16	10	12
Merchant ships.....	5	2	3
Other <u>1/</u>	1	-	-
Total.....	60	30	36
Plus: Lag in Treasury expenditures <u>2/</u>	-	1	4
Equals: Treasury expenditures	60	31	40
Pay and subsistence <u>3/</u>	22	18	20
Other war expenditures.....	11	8	11
Total war expenditures.....	93	57	71
Nonwar and interest <u>4/</u>	9	9	9
Total Federal expenditures.....	102	66	80

Office of the Secretary of the Treasury, Sept. 27, 1944.
Division of Research and Statistics.

- 1/ Construction and industrial lend-lease.
- 2/ Treasury expenditures for munitions are estimated to be 1-1/2 months behind actual munitions production.
- 3/ Armed forces are estimated to be reduced from 11-1/2 million men (present level) to 9-1/2 million by end of first year.
- 4/ Estimate for fiscal year 1945 released in Budget Summary of August 1, 1944.

Annual Rates of Munitions Production
after German Defeat

(In billions of dollars)

Month	Aircraft	Ground army	Navy ships	Merchant ships	Other <u>1/</u>	Total
Present level.....	20	18	16	5	1	60
X + 1	17	12	15	4	-	48
X + 2	16	9	14	4	-	42
X + 3	15	8	14	3	-	40
X + 4	15	8	13	3	-	39
X + 5	15	7	13	2	-	37
X + 6	15	7	12	2	-	36
X + 7	14	7	12	2	-	35
X + 8	14	6	12	2	-	34
X + 9	13	6	12	2	-	33
X + 10.....	13	6	11	2	-	32
X + 11.....	12	6	11	2	-	31
X + 12.....	12	6	10	2	-	30
Full year.....	14	7	12	3	-	36

Office of the Secretary of the Treasury,
Division of Research and Statistics.

September 27, 1944.

1/ Construction and industrial lend-lease.

Pay and Subsistence of Armed Forces
after German Defeat

Month	Number in armed services (Millions of men)	Annual rate of expenditures (Billions of dollars)
Present level.....	11-1/2	22
X + 1		22
X + 2		22
X + 3	11 <u>1/</u>	21
X + 4		21
X + 5		20
X + 6	10 <u>2/</u>	19
X + 7		19
X + 8		19
X + 9	9-3/4 <u>3/</u>	19
X + 10.....		19
X + 11.....		19
X + 12.....	9-1/2 <u>3/</u>	18
Full year.....		20

Office of the Secretary of the Treasury, September 27, 1944.
Division of Research and Statistics.

- 1/ Rate of 167,000 men per month demobilized net.
- 2/ Rate of 333,000 men per month demobilized net.
- 3/ Rate of 83,000 men per month demobilized net.

Annual Rates of Other War Expenditures
after German Defeat
(In billions of dollars)

	Civilian pay in war agencies	Agricultural lend-lease and foreign relief	Miscel- laneous 1/	Mustering- out pay	Termination costs	Total
Present level	3	2	6	-	-	11
X + 12.....	2	2	3	1/2	1/2	8
Full year....	2-1/2	2	4-1/2	1	1	11

Office of the Secretary of the Treasury,
Division of Research and Statistics.

September 27, 1944.

1/ Public utilities, public transportation, subsidies, stockpiles,
overseas construction and munitions, etc.

Federal Expenditures in the First Full Year
After German Defeat
(In billions of dollars)

Munitions:

Production.....	36
Lag in Treasury expenditures <u>1</u> /.....	<u>4</u>
Total Treasury expenditures.....	40
Pay and subsistence.....	20
Other war expenditures.....	<u>11</u>
Total war expenditures.....	71
Nonwar and interest <u>2</u> /.....	<u>9</u>
Total expenditures.....	80
	==

Office of the Secretary of the Treasury,
Division of Research and Statistics. September 27, 1944.

1/ Estimated at 1-1/2 months' production.
2/ Estimate for fiscal year 1945 released in the Budget Summary of August 1, 1944.

Federal Financial Outlays in the First Full Year
After German Defeat
(In billions of dollars)

Expenditures.....	80
Less: Receipts.....	<u>40</u>
Equals: Deficit.....	40
Plus: Redemptions and cash maturities.....	<u>20</u> <u>1/</u>
Equals: Financial outlays.....	<u>60</u>

Office of the Secretary of the Treasury, September 27, 1944.
Division of Research and Statistics.

1/ Comprising approximately \$5 billions for savings bond redemptions, \$10 billions for savings note redemptions (for taxes and cash), and \$5 billions cash maturities of marketable securities.

September 28, 1944

General Marshall had lunch with me today, and I showed him in secrecy the memorandum of the so-called Quebec Agreement on the treatment of Germany. He said he had not seen it although he had seen two letters of Stimson's that bore on this subject, and he wanted to know from me if there were any more. I said that I didn't think so.

Marshall's first reaction was, "Well, we have got loud speakers on the German lines telling them to surrender, and this doesn't help one bit," meaning the publicity in the papers. I said, "Well, General, you don't think this has come out of the Treasury?" I said, "It must come either from War or State." So he sort of drew himself up and said, "You're not talking about my Secretary of War, are you?" I said, "The only concrete evidence I have is that some of it has come out of the State Department."

Then he went on for almost a half hour on other matters, and I tried two or three times to find out how he felt about this Quebec Agreement. Finally he said, "Well, this is a matter outside of my line," and then he said, "We have given General Eisenhower a lot of things to do that he can't carry out," and from now on I don't want to give Eisenhower anything to do that he can't carry out." Then subsequently he told me, to my amazement, that this directive cleared the Chiefs of Staff Tuesday, and he is under the impression it is on its way to Eisenhower. When I told him that we were waiting for some kind of covering letter from Hull, he seemed quite surprised, and said, "Does it have to go back to Hull even if we have cleared it with the General Staffs?" I said that I didn't know but I said, "McCloy's office handled it for the War Department with State, but as late as 5:30 last night Hopkins was under the impression it had not been cleared with the State Department." He said he would look into it and telephone me. He seemed quite upset.

Then he said, "Well, going back over history, I feel that this may react just the opposite from the way you want. In the Civil War they tried to impeach Lincoln, and after the Spanish War they had an unfavorable reaction, and as a matter of fact you just go back over history, and you will find that the

- 2 -

soldiers themselves don't want to treat these people harshly." He said that right now one of their worst headaches is the fact that there have been a couple of photographs of American soldiers fraternizing with the Germans. He said that the English have just given up any hope of trying to regulate their soldiers, and when they are through fighting they can do whatever they want. He said, "In World War I General Pershing had very strict orders about fraternizing, and the American soldiers would go in the back door and sit down with the German families and enjoy themselves." He said, "You will find that the American soldier doesn't want the Germans treated harshly.

Then Marshall told me a story which I don't think is generally known. He said, "When the question of the bombing of Rome came up, nobody wanted it done. Even Roosevelt didn't want it; Churchill tried his best to stop it, but I won Churchill over."

I tried to explain to Marshall that my whole idea was to keep from having another World War, and I said that the Germans were almost successful in the First World War, had been even more successful in the Second, and might win in the Third. I said, "You, as a soldier, know that as soon as this is over, the German General Staff will immediately plan another war." Well, he polished that one off, and didn't comment.

The net result of my conversation with him is this - I am quite confident that he had been reading of the controversy in the papers; also that he knew about my work on the Directive, but that he didn't care very much for this so-called Quebec Agreement. Of course, it is difficult for me to understand that Stimson would show him his memorandum answering my memorandum and not tell him what finally happened.

During my conversation, for the first time it seems to me that Marshall's mind wasn't as clear as it used to be. I found him groping for words, and he went into quite a tirade on how politics were making things difficult for him. Then he said that he will be 64 on December 31, and if the war is over he has every intention of resigning. But for the first time, his mind didn't seem crystal clear the way it has been before. Going down in the elevator, he said, "It is always so nice to come over here because it is so peaceful, and I enjoy myself so much."

- 3 -

He brought over his own personal war map, but there was nothing in it that Leahy hadn't shown me yesterday. Of course, their strategy is that they are trying to go around the German lines through Holland and up through the Ruhr, and if they do that by the time they get through fighting, there won't be much to argue about as to what to do with the Ruhr. The bulk of our supplies are going to the English now, and they are letting our own troops suffer because we just don't have enough ports to unload. Also, there are some shortages of heavy ammunition in this country, a fact I have known right along. As far as the war itself is concerned, I got the feeling he is generally optimistic about the conclusion.

September 28, 1944
2:34 p.m.

Operator: Go ahead.

HMJr: Hello.

Gen. Geo.
Marshall: Mr. Secretary, this is General Marshall.

HMJr: Hello, General.

M: I have checked into that thing. It has not yet been forwarded, and has actually not yet been passed. What has happened is this -- it went over to the Secretary of State

HMJr: Yes.

M: the document -- to get his view before we would act on it.

HMJr: That's right.

M: And it has come back from him.

HMJr: It has come back?

M: It has come back to the Secretary of War. Mr. McCloy -- I just got it this minute -- informed us.

HMJr: Has it been cleared?

M: No, it has to go to the Chiefs of Staff.

HMJr: No, but I mean Mr. Hull cleared it.

M: It's cleared in this way -- I'll read you exactly what it says.

HMJr: Yes.

M: Admiral Leahy had requested that we defer action on it until it was forwarded to Mr. Hull for his formal approval. All right, now -- Mr. McCloy, in the meantime, received a letter from Mr. Hull to Mr. Stimson, which Mr. McCloy says did state State Department approval of the document referred to. Mr. McCloy, therefore, advised, having talked to Admiral Leahy, that Admiral Leahy's proposal to send it to the Secretary was unnecessary,

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M: (cont'd) and, therefore, we could go right ahead with its consideration.

HMJr: Yes.

M: Now, Mr. Hull's letter to the Secretary of War was this: he said, "I understand that representatives of the State, War and Treasury Departments have been conferring for the purpose of preparing an interim directive to Eisenhower's Headquarters in regard to the military government of Germany for the period immediately following the cessation of organized resistance, and I further understand that agreement has been reached on all points with the sole exception of the final paragraph of Section One of the Appendix, which is the economic directive. This department is prepared to agree to Section One as now drafted on the understanding that the Supreme Commander is authorized to interpret this section as enabling him to retain or impose such economic controls as he may deem essential to the safety and health of the occupying forces." In other words, they have apparently left Appendix C final paragraph, which is the future economic thing, undecided, with this proviso that the Secretary of State has put into it.

HMJr: I see.

M: Now that is coming to us right now for us to act on.

HMJr: I see.

M: Is that understandable all to you?

HMJr: It is after I have consulted with Mr. White who has handled it, and if he doesn't understand it I will have him telephone McCloy.

M: Do you want me to read what that final paragraph is?

HMJr: No, I'll tell you -- if he doesn't understand it, I will tell him to call Mr. McCloy.

M: All right.

HMJr: Ever so much obliged.

September 28, 1944
2:43 p.m.

John
McCloy:

I just talked to Marshall. He said that you -- (aside: get me that letter from Cordell Hull addressed to the Secretary of War) -- he said that you had not heard yet as to what the contents of that interpretation of the -- that the State Department made to the economic directive.

HMJr:

That's right.

M:

Now, I gave it to Taylor this morning.

HMJr:

Did you?

M:

Yes. Now, wait a minute -- let me read it to you.

HMJr:

Well, Marshall read it to me over the phone.

M:

Oh, Marshall did?

HMJr:

Yes.

M:

Oh, he did -- he read the letter to you?

HMJr:

Well, I think so.

M:

Well, this is what the letter says: "My dear Mr. Secretary" -- I just got it this morning.

HMJr:

Maybe you better read it to me.

M:

All right. "I understand that representatives of the State, War and Treasury have been conferring for the purpose of preparing an interim directive to SHAEF regarding the military government of Germany for the period immediately following the cessation of organized resistance." That is the title of the thing. "And I further understand that agreement has been reached on all points with the sole exception of the final paragraph of Section One of Appendix C". That's the economic directive. "This Department is prepared to agree to Section One as now drafted on the understanding that the Supreme Commander is authorized to interpret this section as enabling him to retain or impose such economic controls as he may deem essential to the safety and health of his occupying forces." Well, now if that is just what we say is his mission and no more than his mission, it is entirely

M: (cont'd) acceptable to us, and so far as Taylor was concerned he said it was entirely acceptable to them. It didn't make any sense because it was a mere reiteration of what his primary limitation was. I would take that as complete agreement.

HMJr: Well, I'll send for Taylor, and if you don't mind I will talk to him and White.

M: Oh, by all means.

HMJr: And if they don't agree with you, I will have White call you back in the next ten minutes.

M: Well, okay.

HMJr: But you think that's complete agreement on the part of State?

M: I think it is just a sort of face-saving sort of little interpretation which doesn't mean anything, because they know perfectly well that that was the understanding all along. You can't say that he can't do anything that is necessary to protect his own forces, and Taylor says that that is perfectly okay. But you can check it with White, and if there is any difficulty, let me know, because it is now going to the Joint Chiefs of Staff.

HMJr: And from there to Eisenhower?

M: No, then from there to the Combined Chiefs, and that's with the British, you see? And then from there to Eisenhower. And, as I told you, sometime back -- I repeated it in my letter of transmittal of this letter to Taylor -- as soon as we get to the British -- we will ask that you give us a representative to sit down and negotiate with them.

HMJr: Yes.

M: Now, let me read you something that just came in from Bedell.

HMJr: Yes.

M: He says: "Just received a copy of this proposed" -- I will paraphrase a little bit because I don't want to give the code out -- "proposed directive". That's the one we are talking about. "This is the"

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HMJr: Pardon me. How did he get that?

M: I sent it over -- bootlegged it over to him, so he would know about what our thinking was.

HMJr: Oh, yes.

M: But I told him, of course, that it wasn't final. He said, "This is the most encouraging and helpful document that we have seen for a long period. It will enormously strengthen our hands if the U. S. Chiefs of Staff will see it through. In the meantime I want you to know, etc." -- about how much he appreciated our getting this thing over to him. "We're taking a practical view of the situation as we see it now."

HMJr: Yes.

M: So, I am very anxious that we make time on it, and I think from what Harry tells me that the President is going to say something about it at his press conference tomorrow.

HMJr: Is that what Harry said?

M: Harry tells me that.

HMJr: Yes.

M: Harry told me that he was going to say that the Treasury and the State and the War Departments were at agreement on everything that could be decided now in any event.

HMJr: Well; He told me that, but he told me it was a high secret.

M: Oh, he did?

HMJr: Yes.

M: Well, anyway, Harry called me up and told me that.

HMJr: Every time I talk about any of these things I look under the bed to see whether anybody is there.

M: Well, there has been a helluva hubbub, and a very deplorable one.

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HMJr: Yes, and I have had to take it on the chin.

M: Well, I think it has been very unfortunate the way the thing all came out. I wish we could find out where this stuff came from.

HMJr: Yes. Well, I know of one case where a very reliable radio commentator said where he got part of it.

M: Yes.

HMJr: I think it is unheard of that documents like these which are in the possession of the President of the United States should be brandished all over Washington.

M: Hightower must have had a document in front of him because his was a complete paraphrase, paragraph by paragraph of the thing.

HMJr: Not only him, but this fellow in the Wall Street Journal.

M: No, I didn't see that one.

HMJr: Yes. Well, I think we ought to have the law they have in England that any public document which is printed is two years in jail.

M: Well, it should be -- no question about it.

HMJr: Well, thank you for calling.

M: Okay. Now, look -- one thing more -- on Lend/Lease -- have we heard anything from the British?

HMJr: They are having trouble with the War Office, and they will have nothing before the 14th.

M: 14th of October?

HMJr: Yes.

M: Oh, God!

HMJr: And Lord Cherwell has left town to make an inspection of our different factories, and the thought is that we would hold the line until he got back.

- 5 -

M: That's going to complicate our problem because we were about to tell some of these manufacturers about what our cut-back was to be. Remember that I said that on the munitions business, that was the only point of

HMJr: I talked with Patterson about it, and I thought that that more or less comes under him

M: Well, yes -- that's production, of course.

HMJr: And, he didn't seem to be worried about it.

M: Well, Somervell is worried.

HMJr: Well, Patterson is not.

M: Well, I'll talk to both of them about it.

HMJr: I wish you would. But everything is to be held now until the 14th, and Harry knows about it and very much wants to hold the whole thing so that he can present a united front for once to the British.

M: Yes, well, there's nothing then that you want from us.

HMJr: No, there will be nothing now until the 14th.

M: Right. And then we'll take it and take a look at it when they give it to us.

HMJr: And check with some of your people because Bob Patterson wasn't worried.

M: Well, I know Somervell is -- very much worried -- but I'll find out.

HMJr: Right.

M: So long.

HMJr: Thank you.

SECRET

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THE ASSISTANT SECRETARY OF WAR
WASHINGTON

28 September 1944

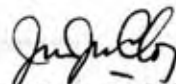
Mr. W. H. Taylor
Division of Monetary Research
Department of the Treasury
Washington, D. C.

Dear Mr. Taylor:

I am enclosing herewith copy of letter which Secretary Hull sent to the Secretary of War in relation to the post-surrender directive, the contents of which I read to you over the telephone.

The interim directive is now before the Joint Chiefs of Staff and I hope will be passed on very shortly. As soon as the Joint Chiefs of Staff approve it, it will be referred to the Combined Chiefs of Staff, and then in deliberation with the British we will ask that a representative of the Treasury be present.

Sincerely,


JOHN J. McCLOY
Assistant Secretary of War

Inc.

Ltr. (SECRET) 23 September 44 Hull to SW

Rec'd
9/29/44
10:50 AM.

SECRET

DEPARTMENT OF STATE

WASHINGTON

September 23, 1944

SECRET

My dear Mr. Secretary:

I understand that representatives of the State, War and Treasury Departments have been conferring for the purpose of preparing an "Interim Directive to SCANF regarding the Military Government of Germany in the Period Immediately Following the Cessation of Organized Resistance" and I further understand that agreement has been reached on all points with the sole exception of the final paragraph of Section 1 of Appendix C (Economic Directive).

This Department is prepared to agree to Section 1 as now drafted on the understanding that the Supreme Commander is authorized to interpret this section as enabling him to retain or impose such economic controls as he may deem essential to the safety and health of the occupying forces.

Sincerely yours,

/s/ CORDELL HULL

The Honorable
Henry L. Stimson,
Secretary of War.

September 28, 1944
2:56 p.m.

Charlie
Shaeffer:

My information is that the President allowed the word to be passed down the line to the Press Association at the White House that he's instructed all three principals in this alleged dispute to keep quiet; that he would shortly call them together and iron the whole thing out.

HMJr:

I see. That's a White House leak?

S:

That is a White House leak, yes, sir.

HMJr:

Okay.

S:

Right.

HMJr:

Thank you.

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Sept. 28, 1944

Mr. Sheaffer reported to the Secretary
that this was a White house leak.

AN AUTHORITATIVE SOURCE PREDICTED THAT ALL CONTROVERSY WITHIN THE PRESIDENT'S CABINET COMMITTEE ON POSTWAR PEACE POLICY WOULD BE RESOLVED AT A MEETING WHICH HAS BEEN SCHEDULED FOR THE NEAR FUTURE WITH THE CHIEF EXECUTIVE.

THE COMMITTEE MEMBERS ARE SECRETARY STIMSON, SECRETARY HULL, AND SECRETARY MORGENTHAU.

9/28--S1241P

September 28, 1944
3:42 p.m.

Harry
White: Hello.

Operator: Mr. White.

HMJr: Harry.

W: Yes.

HMJr: Elmer Davis just left here on War Bonds and he started in on this business about how to treat Germany.

W: Yeah.

HMJr: What are we going to do with the fifteen million people? This just means eliminating them from starvation.

W: Yeah.

HMJr: So I said wouldn't he like to see you and he said he would, and if you'd call him up in the morning -- I said you'd come over and see him.

W: Yes.

HMJr: He'll have a couple -- two of his top people there.

W: All right, I'll

HMJr: He's set aside an hour.

W: All right, I'll do that.

HMJr: He needs selling very badly.

W: All right, I'll do that.

HMJr: And he also says that it's all around Washington that the leaks on this thing have come from the Treasury.

W: That's interesting.

HMJr: Yeah. I said, "Sure, that's what State has spread."

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W: Yeah.

HMJr: Yeah.

W: Okay.

HMJr: It's on the ticker and it says, "High authority" -- and we've checked it at the White House -- that the President said he's going to get the three of us together and it's all going to be settled amicably.

W: Yeah. I see. You haven't heard of the meeting though?

HMJr: No.

W: Yes, sir.

HMJr: No.

W: All right.

HMJr: Thank you.

W: All right. Bye.

September 28, 1944
4:30 p.m.

GERMAN PEACE TERMS PUBLICITY

Present: Mr. Gaston
Dr. White
Mrs. Klotz

H.M.JR: Before I get any further, in this memorandum which you read did you read this part about the Nazi trials?

It is very important that we get this thing into the Directive about the trial of the Nazis--the thing that Goodhart was working on.

DR. WHITE: Oh, yes, all right. We'll go at it right now.

H.M.JR: That is the result of the conversation I had with General Marshall.

DR. WHITE: McCloy referred to "Harry" as having told him. I presume that didn't mean me, because I didn't tell him.

H.M.JR: No.

DR. WHITE: Charlie Shaeffer called me to say that some person in New York who runs the Town Meeting of the Air is going to have a debate on the air next week, and they want a second person to defend the Morgenthau plan. They have Rex Stout, and they want to know whom we would recommend as the second one.

MRS. KLOTZ: You.

MR. GASTON: The lady called me several days ago, and I told her we couldn't have anything to do with it at all.

DR. WHITE: The only thing, this man Seavey that you spoke of, I think, would be much better than Major Fielding Elliott.

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H.M.JR: Goodhart says he is excellent.

DR. WHITE: I just sent the letter to you. I don't think you saw it. (Refers to letter from Seavey, Sept. 25)

H.M.JR: No, I did not see it. I have not received it.

DR. WHITE: Well, it was just an hour ago that I saw it, and I had a copy made before I sent it in.

MRS. KLOTZ: You didn't send it to me.

DR. WHITE: They were making a copy of it, because in the letter he compliments you on your position, says he is in agreement but he is troubled by what to do with the number of persons--oh, he asks the question as to whether an agricultural Germany can support that many persons and what would be done with the overflow. So it requires an answer. And if he is a good speaker and can handle himself on that, it would be very excellent, I think.

H.M.JR: Why don't you ask Goodhart?

DR. WHITE: Oh, he knows him? I'll ask him. The boys are checking up on his speaking ability from some of the Harvard men around here. They would get in touch with him, although if he were to go I think we would need to discuss the matter with him.

Do you want to know about this morning's discussion?

In the two hours we spent with Lerner--he is a very able fellow--well, when we were through I asked him what his views were of the proposal. He said that in general he is for it. He says it is a bad situation, but the alternative choice is worse, and he said in general he would be for it. But he spoke of the fact that there is going to be a terrific opposition against it on two grounds, one, that this is a method of increasing the strength of Russia and the danger from Russia. He thought the Catholic Church, particularly, would do a good deal in that direction.

*Not in diary
at Mischance
2.6.45*

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Secondly, he said there would be the feeling that the Jews were just trying to be vindictive, because of the fact they have suffered at Hitler's hands. He says those are the two attacks that will be presented in subtle form.

Incidentally, the new AP man whom Charlie Shaeffer brought down and introduced me to told me off the record there was an off-the-record forum in Washington here which a number of them attended.

MR. GASTON: Government people?

DR. WHITE: No, I gather they were press people; but I am not sure; but he was there and others who were not of the Government. They discussed this proposal. I cite this because of the following episode which he repeated--

MR. GASTON: He didn't know on the basis of whose outline?

DR. WHITE: No. A press man got up and made a very impressive demagogic appeal against the plan on the ground it was a violation of every moral precept, and so forth.

H.M.JR: I suppose putting a million or two million people in gas chambers is a godlike action.

DR. WHITE: Well, they were the wrong kind of people!

H.M.JR: Who called this forum?

DR. WHITE: I don't know. I didn't ask him. He didn't volunteer the information. I didn't want to ask him the question, because I had not wanted to answer some of his questions.

But he said he is going to write an article. He asked if I couldn't give him some background. I told him he can always come to me if it isn't news business, but just if he wants an understanding of the problems.

MRS. KLOTZ: That is very good!

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DR. WHITE: I didn't talk with him very long--about fifteen or twenty minutes. He seemed to be quite in sympathy. He is a bright, able fellow--Max Hall. Do you know him?

MR. GASTON: No.

DR. WHITE: He now has the Treasury in his international affairs. He said he would very much like to write an article; he thinks it is terribly important. Or maybe he will write a column. I told him I couldn't give him anything of news value. He says he thinks he doesn't need it.

So he asked me could he write one and show it to me to see it was all right. I told him it was all right.

MR. GASTON: It would be very desirable if we were to have more or less extended conversation with him, if we had time.

DR. WHITE: When he writes the article we will make whatever suggestions or criticisms which seem to be warranted. There is no doubt about this thing assuming a terrific interest everywhere around, and there is every indication that it will be a bone of contention.

Lerner said this, in response to a question by Pehle-- I had several of the men in, because I wanted to show him it had a broad basis--he said that in his opinion the bulk of the people would be in sympathy with what the Secretary's proposal was. But, he said, eighty percent of the so-called liberals will be against it on the grounds that it is harsh.

H.M.JR: When you are through I want to make a couple of comments.

DR. WHITE: That is the gist. I can go into a good deal of detail, because the discussion took two hours.

H.M.JR: I don't think I shall. I told him quite a lot when he was here, as you realize.

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DR. WHITE: He knows more than anybody else knows, now. But I think he will use it well, because he repeated in there that this is the most important thing.

H.M.JR: Elmer Davis told me in here that it is all over Washington that it is the Treasury that has been spreading this stuff.

MR. GASTON: I think it is. Harry Eaton told me that.

DR. WHITE: Now, who do you suppose--

H.M.JR: It is just like Hull told me that. I said, "Look, in strictest confidence Roosevelt and Churchill happen to agree with what we have suggested. Why the hell should I be spreading it around?" It doesn't make sense. I said, "The fellow who is spreading it around is the fellow who is against this plan, whoever that person is--or people."

He said, "Well, that makes sense."

DR. WHITE: I think Herbert would be interested in that comment of McCloy's on the Directive.

H.M.JR: What is that?

DR. WHITE: That a copy had reached Bedell Smith's hands.

H.M.JR: And Bedell Smith liked it.

DR. WHITE: I thought it was stronger than that. He said it was the best thing--

MR. GASTON: A copy of this latest Directive--this interim Directive?

DR. WHITE: That is right.

H.M.JR: Now, the other thing which I don't understand, which has come over the ticker, is that General Eisenhower made the statement that we changed. He made the statement mainly for Germany, "We are coming as conquerors and not as

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oppressors."

DR. WHITE: That was in the first one.

H.M.JR: But I thought that was cut out.

DR. WHITE: No, that isn't the part. The part we wanted to cut out and made some changes in, and which we don't know whether he has given out or not, was that we come to liberate Germany as other countries. That is the part we objected to.

H.M.JR: Oh. Now, did you call back McCloy and say it was okay to let it go?

DR. WHITE: No, because the statement said if it wasn't okay I'd call him back, and it is quite all right. There is no doubt about it.

Can you think of a third alternative in case Seavey isn't available?

MR. GASTON: No; Miss Marion Carter called me up about a week ago and wanted us to participate. Somebody representing the Treasury told her that couldn't be done, that she'd have to get somebody from the outside. She didn't ask me for suggestions. Did you suggest Seavey?

DR. WHITE: No, the Secretary suggested him this morning and one of the boys suggested him.

MR. GASTON: No, I don't know of anybody. We did discuss Rex Stout.

H.M.JR: Well, as between Fadiman and Rex Stout, they ought to give us somebody. Fadiman ought to give us somebody.

MR. GASTON: Yes.

DR. WHITE: Well, they will get in touch, I suppose.

MRS. KLOTZ: They did.

- 7 -

DR. WHITE: No, it was Lerner who knew about it, not Fadiman. Lerner would be excellent for it. Did he say he was leaving town?

H.M.JR: I'm not sure.

DR. WHITE: Apparently he wasn't asked or didn't want it, because he asked for a recommendation.

H.M.JR: I think I'd throw it back on Fadiman and Rex Stout.

H.M.JR: What else, so we can check up?

MR. GASTON: Did you see the articles in Time and News Week?

H.M.JR: I saw Time. I didn't see News Week.

MR. GASTON: News Week is the one I talked to. I think you will find News Week is better than Time.

DR. WHITE: I think Sylvia Porter's article is excellent.

H.M.JR: This is the kind of thing I want Pringle to do and not bother you so much.

Now, the Post has done a nice job until we get somebody like Pringle. I'd like for you to write a letter to the Editor of the Post over my signature saying that I appreciate his editorial and the work that Sylvia Porter has done on this thing.

MR. GASTON: That is the New York Post?

H.M.JR: Yes. I can't think of his name.

MR. GASTON: I know him very well--Ted Thackrey.

DR. WHITE: It was Sylvia Porter who presumably also held off the previous editorial, and she put in there almost everything verbatim. She did a good job.

- 8 -

H.M.JR: Well, I think it would be nice to write Ted Thackrey and Sylvia Porter, both.

DR. WHITE: Yes, and mentioning Sylvia Porter's name to Ted Thackrey.

You never did hear whether that other thing is going to be published or not, did you?

H.M.JR: What other thing?

DR. WHITE: That Directive. They can't say now they haven't got the document over there, because Bedell Smith can turn it over to them. But more than that, I shouldn't think that Churchill would want the President to get the credit for that. I do think it might even come down to that--why should England be put in the position of saying they accepted the American plan wholly, that they are following our procedure, to say nothing of the fact that it runs against some of their beliefs; so that I think it would be nothing short of a miracle if Churchill accepted that.

H.M.JR: Do you believe in miracles?

DR. WHITE: No!

H.M.JR: Now, this Blair Bolles article of yesterday's PM--have you checked up with some of your play-fellows?

DR. WHITE: No. Currie did call me up about that yesterday, and Frank Coe spoke to me about it. Currie was disturbed because his name has got in the whole thing. I don't know how much that reflects his actual views. Some is a distortion, but it is true that he participated in the Interdepartmental Committee which made the recommendations which you read on the plane, and that he was not opposed to it. He may even have favored it. Now, I think he has changed his mind since. We have had some chance to talk it over.

H.M.JR: If you get a breathing spell--I know you have been very busy today--would you do some detective work on that tomorrow?

- 9 -

DR. WHITE: Yes. And as far as Oscar is concerned, Oscar claims he is wholly with us.

H.M.JR: Herbert, do you have any contribution to make?

MR. GASTON: No. I sent you in one little thing.

H.M.JR: Will you see Pringle tomorrow?

MR. GASTON: Yes, he is going to be here at twelve. I thought you might be able to see him a minute or two between twelve and one.

H.M.JR: That is a bad time for me.

MR. GASTON: The question is, what can I say to him?

H.M.JR: It is an awfully bad time.

MR. GASTON: He was very reluctant to come in at all today or tomorrow, because he said he was terribly busy.

H.M.JR: Give him a quarter of one. The idea is, he is to come in and help us on all of this stuff, that is all.

DR. WHITE: Of course, in questioning where the leaks are, we are no longer in the virginal position we were in, because we have been talking.

H.M.JR: We have been?

DR. WHITE: Sure.

H.M.JR: You were talking?

DR. WHITE: Fadiman, Lerner, Gram Swing, and now the AP man.

TO:

The Secretary

9-22-44

196

Henry Pringle is moving to a home he has just bought in Georgetown and he said it was impossible to come in today. He suggested late tomorrow afternoon, but when I said I thought you would like to see him and that you would not be available after 1 p.m. he said he would come in at 12 noon.

I gave him an idea what it was about and he didn't reject it as impossible. He said "Let's talk it over tomorrow."

W.G.

FROM: MR. GASTON

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

DATE Sept. 28,
1944

TO Secretary Morgenthau
FROM J. W. Pehle

Re: Possible St. Louis appearance.

Abrahamson has just heard from St. Louis that both the local War Fund people and the local Jewish Federation group feel that it would be inadvisable to try to arrange a meeting at this late date for October 11.



MEMORANDUM FOR THE SECRETARY.

September 28, 1944.

As of noon today, receipts on statement in regard to Germany are as follows:

Favorable.....	15
Unfavorable.....	4
Uncertain.....	1

One pamphlet being circulated from Louisiana about severity and quoting the Biblical analogy of Saul and the Amalekites.

Geo. Forbush

September 28, 1944

My dear Mr. President:

I thought you would be interested in the mail I have been receiving in regard to the treatment of Germany. To date, I have received 90 letters, of which 75 are favorable and only 15 unfavorable.

Sincerely yours,

Henry Morgenthau, Jr.

The President,
The White House.

Envelope marked "Urgent"
L. L. Agent 12:52 p.m.

Prepared by Prof. Goodhart -

200

Copies to White & Gaston 9/28/44

Germany and Re-education

It has been suggested that after this war Germany can be re-educated so that the German people will become both democratic and peace-loving. This is based on the idea that the terrible experience through which they will have passed will have taught them that war does not pay. This process of re-education, it is said, can only succeed if the Germans are left without a feeling of bitterness or frustration.

I disagree with this view because I do not believe that the Germans can be re-educated in one or two generations. This is not based on any racial doctrine implying that the Germanic people are by nature warlike and brutal. Our knowledge of the American citizens of German origin disproves this. But I do believe that a nation resembles a human being in that its early training and traditions largely condition all its actions. The psychologists have taught us that it is the first eight years of a person's life which are the important ones, because it is then that he acquires those ideas which consciously or unconsciously affect his future decisions. The same is true in large part in the case of nations. No one can understand the United States without realizing that its emphasis on energy, individual responsibility, and friendliness is typical of the pioneer attitude of thought. Similarly the English emphasis on law and order, on the value of tradition, on the spirit of compromise is as old as Magna Carta. To understand Germany it is therefore essential to realize that the German tradition, and especially that of Prussia, has for centuries been militaristic with all that that implies. It is reflected in the philosophy, the literature, and the art of the nation, and above all in its history. To attempt to counteract this traditional method of thought by some scheme of re-education would, I believe, be futile at the present time. It will take generations to accomplish this, if it can be accomplished at all, while, unfortunately, it only takes a single generation to prepare for war.

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

September 28, 1944

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended September 20, 1944, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

EMB

FEDERAL RESERVE BANK
OF NEW YORK

September 27, 1944.

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended September 20, 1944, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Very truly yours,

/s/ H. L. Sanford

H. L. Sanford,
Assistant Vice President.

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

Enclosure

COPY

Regraded Unclassified

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

Week Ended Sept. 20, 1944.

Strictly
Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)								BANK OF FRANCE				
	DEBITS				CREDITS				Net Incr. (+) or Decr. (-) in \$ Funds (d)	Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in \$ Funds (d)	
	Total Debits	Gov't Expendi- tures (a)	Treasury Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities (Official) (b)	Transfers from Official Australian Account					Other Credits (c)
War Years (g)													
First	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3 (f)	1,095.3 (f)	+ 299.0
Second	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	774.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Third	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
Fourth	764.0	32.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3
Fifth	1,197.7	300.4	61.4	835.9	1,369.6	-	-	253.0	1,116.6	+ 171.9	-	-	-
<u>1944</u>													
September													
October													
November													
December													
<u>1945</u>													
January													
February													
March													
April													
May													
June													
July													
August													
<u>Week Ended</u>													
August 30, 1944	4.6	2.8	-	1.8	24.7	-	-	-	24.7	+ 20.1	-	-	-
September 6, 1944	10.3	5.7	-	4.6	5.0	-	-	0.5	4.5	- 5.3	-	-	-
September 13, 1944	6.0	0.6	-	5.4	3.8	-	-	-	3.8	- 2.2	-	-	-
September 20, 1944	65.2	7.9	50.4	6.9	23.4 (h)	-	-	-	23.4 (h)	- 41.8	-	-	-

Average Weekly Expenditures Since Outbreak of War
 France (through June 19, 1940) \$19.6 million
 England (through June 19, 1940) \$27.6 million
 England (through June 20, 1940 to March 12, 1941) \$54.9 million
 England (since March 12, 1941) \$ 21.6 million

See attached sheet for footnotes.

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.
- (h) Includes \$ 2.4 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, and \$ 20.0 million in connection with the expenses of our armed forces abroad.

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

Week Ended Sept. 20, 1944. Strictly Confidential

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)								
	DEBITS				CREDITS				DEBITS				CREDITS				
	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C	For Own A/C	For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in \$ Funds (e)	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in \$ Funds (e)
War Years (a)																	
First	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9	
Second	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.8	81.2	62.9	38.3	+ 9.0	
Third	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	+ 5.0	
Fourth	723.6	-	723.6	958.8	47.1	170.4	-	741.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4	+ 3.4	
Fifth	849.3	1.0	848.3	958.5	38.1	61.4	-	859.0	+ 283.3	298.6	252.5	46.1	287.7	-	287.7	+ 10.9	
<u>1944</u>																	
September																	
October																	
November																	
December																	
<u>1945</u>																	
January																	
February																	
March																	
April																	
May																	
June																	
July																	
August																	
<u>Week Ended</u>																	
August 30, 1944	13.8	-	13.8	9.4	-	-	-	9.4	- 4.4	1.4	-	1.4	0.1	-	0.1	- 1.3	
September 6, 1944	2.2	-	2.2	29.0	-	-	-	29.0	+ 26.8	3.6	0.5	3.1	3.2	-	3.2	- 0.4	
September 13, 1944	3.2	0.1	3.1	5.3	-	-	-	5.3	+ 2.1	0.3	-	0.3	1.3	-	1.3	+ 1.0	
September 20, 1944	2.4 (a)	-	2.4	56.8 (c)	-	50.4	-	6.4 (d)	+ 54.4	0.1	-	0.1	1.7	-	1.7	+ 1.6	

Average weekly expenditures for

First year of war # 6.2 million.
 Second year of war 8.9 million.
 Third year of war 10.1 million.
 Fourth year of war 13.9 million.
 Fifth year of war 16.1 million.
 Sixth year of war (through September 20, 1944) 2.6 million.

- (a) For monthly breakdowns see tabulations prior to: April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.
 (b) Reflects changes in all dollar holdings payable on demand or maturing in one year.
 (c) Does not reflect transactions in short term U. S. securities.
 (d) Includes \$ 2.1 million deposited by War Supplies, Ltd. and \$ 2.5 million received from New York accounts of Canadian chartered banks.

Friday

הסוכנות היהודית לארץ ישראל

The Jewish Agency for Palestine

WASHINGTON OFFICE: 1720 SIXTEENTH STREET, N. W. • MICHIGAN 4480

September 28, 1944

Mrs. Henrietta S. Klotz
Office of the Secretary of the Treasury
Treasury Building
Washington, D. C.

Dear Mrs. Klotz:

I am writing you with reference to our conversation at lunch today about my forthcoming trip to Palestine and the Near East. Dr. Weizmann, as you know, has been urging me to come for some time and join him on his visit to Palestine within the next month. I hesitated a good deal about going, but in his last letter to me, of September 11, he made it mandatory. Accordingly, I have made the necessary arrangements with the British Embassy. In view of Dr. Weizmann's urgent request they have offered to fly me. I shall probably be leaving late in October or early in November.

One of the reasons Dr. Weizmann is so eager to have me be in Palestine while he is there, is to take up a number of questions relating to rescue and rehabilitations and related matters. It has occurred to me that I might be of some use to the War Refugee Board in gathering data while on the spot, and bringing back with me a comprehensive report on the whole situation. In any event, I will, of course, be in contact with those who have been principally engaged in that work during the war.

If you think I can be of some service, I hope you will place the matter before the Secretary or Mr. Pehle. I will be glad to act according to their wishes in the matter.

With kindest personal greetings, I am

Sincerely yours,

M. Weizgal
Meyer M. Weizgal

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

September 28, 1944

4 p.m.

AMERICAN CONSUL,

ALGIERS (ALGERIA).

FROM CROWLEY, A'HEARN AND COX, FEA, FOR FERGUSON

CONFIDENTIAL. REGARDING PROPOSAL TO TRANSFER 432 SEPHARDIC JEWS FROM NARC TO UNRRA CAMP AT MOSES WELLS, BECKELMAN IS HEREBY AUTHORIZED, SUBJECT TO YOUR APPROVAL AND CLEARANCE WITH THE BRITISH, TO ARRANGE FOR SUCH TRANSFER AND TO DRAW ON JOINT FUND FOR THE PURPOSE OF DEFRAYING NECESSARY TRANSPORTATION AND RELATED COSTS. IT IS UNDERSTOOD THAT ACTUAL TRANSFER OF REFUGEES IS NOT TO BE MADE UNTIL MATTER OF THEIR ACCEPTANCE BY GREECE IS DETERMINED. THIS IS CONSISTENT WITH ORIGINAL US - UK AGREEMENT COVERING ESTABLISHMENT OF NARC WHICH SPECIFICALLY PROVIDED FOR THE TRANSPORTATION OF REFUGEES FROM NARC TO PLACES OF MORE PERMANENT SETTLEMENT AND CONTINUED CARE THEREAFTER PRIOR TO REHABILITATION. THIS DOES NOT ALTER PREVIOUS INSTRUCTIONS TO CONTINUE OPERATING NARC.

DCR:RLH:ATM

HULL
(RLH)COX
LIAISON:
GC-700-NOSTROFF:HB
9/14/44

EMBASSY OF THE
UNITED STATES OF AMERICA

CONFIDENTIAL

Quito, September 28, 1944

No. 2185

Subject: Efforts of War Refugee Board to Assist Jewish
Refugees to Enter American Countries; Visit
to Quito of Mr. Jacob Landau.

The Honorable
The Secretary of State,
Washington.

Sir:

Referring to the Department's circular airgram of July 13, 1944, 12:30 p.m., in regard to priorities for air travel for Mr. Jacob Landau in the course of his trip to Latin America as a member of the Executive Committee of the American Jewish Committee, New York, and with reference also to the Department's circular airgram of January 26, 1944, 7 p.m., I have the honor to report that Mr. Landau arrived in Quito yesterday and will depart tomorrow morning.

Shortly after his arrival, Mr. Landau called upon me and explained his interest in obtaining authorization from the Ecuadoran authorities for the issue of visas to a number of adult European refugees. He inquired whether I would present him to the Minister for Foreign Affairs and when I acceded to his request later the same day, the Minister showed a very sympathetic attitude in the matter.

This morning Mr. Landau informed me that he had discussed the same subject with the Minister of Government, who was also sympathetic and who proposed to introduce him to the President. Mr. Landau asked whether I would accompany him also to see the President. I stated that I would be glad to do so, which I did this afternoon, the Minister of Government being also present. Mr. Landau explained to the President his desire to obtain Ecuadoran visas for 200 European refugees. He stressed that the

cc: Miss Chauncey (For the Sec'y.) Abrahamson, Akzin, Cohn, Drury, DuBois,
Friedman, Gaston, Hodel, Lesser, Mannon, Marks, McCormack, Pehle.

- 2 -

great majority of these individuals would probably never come to Ecuador, but that the obtaining of the Ecuadoran visas would serve as a bond or guarantee which would permit the saving of a number of lives from Nazi persecution.

President Velasco Ibarra referred to assurances which he had previously given in public statements that his government was strongly opposed to any form of racial discrimination. When the President then asked the Minister of Government whether he saw any objection to Mr. Landau's proposal, the latter replied in the negative, but added that there should be an official request from the United States Government. At that point I stated that my Government was pursuing an energetic and clearly-defined policy of giving the maximum assistance possible to the victims of Nazi oppression. I added, however, that before making an official request to the Ecuadoran Government for visas for a given number of refugees, I would be obliged to ask for instructions, which I would be glad to do without delay. I should be pleased if the Department would instruct me in the premises.

In this connection, it may be noted that on various occasions, as has been reported to the Department, the Ecuadoran Government has indicated to the Embassy a sympathetic attitude towards the program and work of the War Refugee Board. However, as was reported in the Embassy's despatches nos. 1041 of February 7, 1944, and 1219 of March 11, 1944, and airgram No. A-138 of March 10, 1944, the Foreign Office has stated that it would welcome receiving a concrete proposal as to the assistance that Ecuador might extend in the matter. The Embassy has received no instructions in response to that suggestion.

Respectfully yours,

Copy to the Consulate General, Guayaquil
File No. 840.1
JWG:rbm

AIRGRAM

CONFIDENTIAL

FROM

Tegucigalpa, Honduras

A-319

September 28, 1944

REC'D: October 3, 5 p.m.

Secretary of State,
Washington.

A-319, September 28, 5 p.m.

Reference Department's circular airgram September 19, 1944,
9:10 a.m.

It is believed that Honduras is not a likely country to provide striking illustrations of the results of the travel grant program. While I am confident that the recipients return more friendly to the United States, outstanding results are not believed apt to be noted in this country in which all progress is on a very slow basis.

ERWIN

842
RNC:mb

Transmitted via courier pouch closing September 29, 1944, 9 a.m.

CABLE TO AMERICAN LEGATION AT TANCIER, MOROCCO

Information contained in your A-199 of September 12 is thoroughly appreciated. For your information, the following has been cabled to Alegation Bern:

QUOTE Embassy Madrid advises that Spanish visas have been granted to 500 Jewish children and 70 accompanying adults in Hungary, but that their departure is being held up by refusal of German authorities to grant transit visas. It is reported that pending departure these persons have been placed under Interross supervision. Please verify this report and, unless confirmed, request Interross to undertake such supervision of these beneficiaries of Spanish visas, to prevent their deportation or persecution.

You may also inform Interross that another fifteen hundred Spanish visas have been authorized for Jews in Hungary. To ensure their safety, Interross representation in Hungary is requested, likewise to assume supervision of the beneficiaries of these additional visas as soon as feasible.

UNQUOTE

5:15 p.m.
September 28, 1944

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Asuncion
TO: Secretary of State, Washington
DATE: September 28, 1944
NUMBER: 549

CONFIDENTIAL

The message given below has been repeated to Madrid for the information of our Embassy there.

Reference is made herein to the Department's airgram of September 1 No. 238.

In a note of September 27 numbered 866 relative to the serious position of individuals in concentration camps holding Paraguayan passports which are due to expire shortly, the Paraguayan Ministry of Foreign Relations now states that since this matter is related to proposed exchange our Madrid Embassy may advise the Government of Spain that it is authorized herewith to issue through its Embassy at Berlin new passports to take the place of those about to expire and which are held by persons to whom the protection of Paraguay has been extended, especially those in the Bergen Belsen camp.

BEAULAC

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

September 28, 1944

5 p.m.

AEMBASSY

LISBON

2626

The cable below is WRB 97.

Please deliver paraphrase of the following message
to Robert Pilpel from M. A. Leavitt, American Jewish Joint
Distribution Committee:

QUOTE Greenleigh advises Jefroykin requesting per-
mission enter Greenleigh's theater and officials inquir-
ing purpose of this visit. Please advise why this appli-
cation made. UNQUOTE.

HULL

(GLW)

WRB:MMV:KG
9/28/44

WE

EMBASSY OF THE
UNITED STATES OF AMERICA

Madrid, Spain, September 28, 1944.

No. 3152

Subject: Information Furnished by Recent Arrival from
Hungary.

CONFIDENTIAL

The Ambassador has the honor to refer to his airgram A-531 of September 22, 1944 regarding the arrival in Spain of Madame Magda de BYCHOWSKY (nee Sabor) and to transmit herewith a summary of information furnished by the above person regarding treatment of refugees in Hungary by neutral missions. She states that the Portuguese minister gave refuge to approximately 20 persons, including herself and her parents, in the chateau just outside of Budapest used as the Portuguese chancery. On April 28, 1944, she states that the Gestapo attacked that mission, arrested all the occupants, and made a thorough search of the premises. Their release was effected by the Portuguese minister, who indicated that if the Gestapo were to detain his guests they would be forced to detain him as well. Secret documents of the Portuguese mission were hidden in one of the numerous secret compartments of the chateau and escaped discovery. All articles of value, according to Madame Bychowsky, were taken by the Gestapo.

She also indicates that practically all persons who entered the Portuguese Legation after the above-mentioned incident were arrested by the Gestapo.

The above information has not been confirmed but is being submitted as of possible interest to the Department.

Copy of despatch to American Embassy,
Lisbon, Portugal.

Despatch in original (Osaid)
to Department.

File 800-Hungary

DIF/mn

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

September 28, 1944

4 p.m.

AMLEGATION

STOCKHOLM

1941

The cable below is WRB 91.

Please deliver paraphrase of the following message to Chief Rabbi Marcus Ehrenpreis, Stockholm, from the Vaad Hahatzala Emergency Committee:

QUOTE Greatly disturbed growing danger to group of 500 rabbis and rabbinical scholars (with almost complete Mirer Rabbinical College) in Shanghai. Have directed several pleas to Vatican to intervene with Japanese Government for unilateral release of entire group. Negotiations in progress. Respectfully urge you contact Swedish Government that presentations be made by Swedish Government and King to Japanese Government for release of group. Necessary also consult Swedish Government and request make available ship for transport of group and permit temporary entry into Sweden. Almost entire group possess final entry visas to Palestine, Canada, United States and other lands. We guarantee cost of transport and maintenance while in Sweden. This group represents the remnant of the great rabbinical colleges of Poland and Lithuania. Their rescue and rehabilitation would be an historic undertaking... We appeal to you to consult Rabbi Wolbe and lend your influential support to our committee in Switzerland. UNQUOTE

HULL
(GLW)

WRB:MMV:KG
9/28/44

NOB

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

September 28, 1944

5 p.m.

AMLEGATION

STOCKHOLM

1942

The cable below is WRB 90.

Please deliver paraphrase of the following message to Rabbi Wilhelm Wolbe, 11 Olfsgottn Strasse, Stockholm, from the Vaad Hahatzala Emergency Committee:

QUOTE Greatly disturbed growing danger to group of 500 rabbis and rabbinical scholars (with almost complete Mirer Rabbinical College) in Shanghai. Have directed several pleas to Vatican to intervene with Japanese Government for unilateral release of entire group. Negotiations in progress. Respectfully urge you contact Swedish Government that presentations be made by Swedish Government and king to Japanese Government for release of group. Necessary also consult Swedish Government and request make available ship for transport of group and permit temporary entry into Sweden. Almost entire group possess final entry visas to Palestine, Canada, United States and other lands. We guarantee cost of transport and maintenance while in Sweden. Contact Dr. Ehrenpreis. Urge his participation in this vital matter. UNQUOTE

HULL
(GLW)

WRB:MMV:KG
9/28/44

NOE

CABLE TO MINISTER HARRISON, BERN, FOR MC CLELLAND FROM WAR REFUGEE BOARD

Please deliver the following message to Mrs. Fanny Hirsch, Comite
Refugies Intellectuals, 7 Rue Gautier, Geneva, Switzerland, from Fred S.
Weissman, Selfhelp of Emigres from Central Europe, Inc.

QUOTE RECEIVED MESSAGES SEPTEMBER 1, 5 AND 16 STOP WAITING
FOR DETAILED INFORMATION STOP TRANSFERRING \$2,000 UNDER
LICENSE W-2137 STOP CONTINUE RESCUE WORK FOR BERGENBELSEN
AND THERESIENSTADT STOP ENLIST COOPERATION MARIUS HESS-LIEBER,
22 WALLSTRASSE, BASEL UNQUOTE

THIS IS WRB CABLE TO BERN NO. 187

2:30 p.m.
September 28, 1944

RDrury 9/27/44

BJR - 266

This Telegram must be paraphrased before being communicated to anyone other than a Government Agency. (SECRET O)

Bern

Dated September 28, 1944

Rec'd 9:23 a.m.

Secretary of State,

Washington.

6443, September 28, 9 a.m.

FOR WRB FROM MCCLELLAND

Sternbach has given me following names of his contact men for rescue work in Hungary and Slovakia: Department's 3152 September 12 and Legation's 6252 September 21. In Budapest: Charles Roth, Sch. B. Frey and Dr. Reiner; in Bratislava: Rabbi Samuel David Ungar, Berthold Dennebaum and M. B. Weissman.

HARRISON

CSB

Miss Chauncey (For the Sec'y) Abrahamsen, Aksin, Cohn, Drury, DuBois, Friedman, Gaston, Model, Laughlin, Lesser, Mannen, Marks, McCormack, Pehle, Cable Control Files.

FBM-262

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

Bern

Dated September 28, 1944

Rec'd 9:15 a.m.

Secretary of State

Washington

6445, September 28, 10 a.m.

FOR WRB FROM MCCLELLAND.

Department's 3255 September 21, and 2933 August 23.

With reference to third paragraph your 3255 we should appreciate receiving from person mentioned in opening sentence your 2933 as precise information as possible concerning date and place of inhuman treatment of Hungarian Jews described. Did this occur after Hungarian Government's official declaration to ICRC that deportation of all Jews from Hungary had ceased? With such additional information on hand the Swiss would undoubtedly be able to approach Hungarian Government more effectively. If desired data cannot be furnished, however, please advise, whereupon we will again request Swiss to act on basis material available.

HARRISON

MEV

JBN-426

This telegram must be paraphrased before being communicated to anyone other than a Government agency. (SECRET 0)

Bern

Dated September 28, 1944

Rec'd 7:23 p.m.

Secretary of State
Washington

6446 September 28, 11 a.m.

FOR WRB FROM MCCLELLAND

I refer to second paragraph your 3255 September 21. On September 22 we once more urged ICRC, with respect specifically to possible departure from Hungary of Jewish children and accompanying adults for Spain (Department's 3546 September 20), to frankly inform us concerning ~~degree~~ of actual supervision and control ICRC is able to exercise at present time not only over eventual departure of Jews from Hungary but over their general security and welfare while they remained in that country.

As observed in Legation's 6093 September 15 numbered paragraph 2, ICRC control over situation Jews in Hungary will remain essentially ineffectual as long as they are physically prevented by refusal of Germans to grant transit visas from sending in additional personnel. We know that they have wished to increase their delegation in Hungary for several months (Legations 4896 of July 21 and 3731 June 11), so there is no lack of desire on their part to assist in mitigating treatment of Jews in Hungary if only by presence of observers.

ICRC unfortunately have nothing in hand which they could use as leverage in attempting to move the Germans to favorable decision in this matter.

HARRISON

JMS NPL

LFG-427

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

Bern

Dated September 28, 1944

Rec'd 7:22 p.m.

Secretary of State,
Washington.

6447, September 28, noon

FOR WRB FROM MCCLELLAND

Legation's 6093, September 15.

Responsible Jewish organizations in Switzerland are becoming increasingly anxious regarding announced intention of present Hungarian Government to move Jews remaining concentrated in Budapest out of city. These organizations supported by Dr. Nisonkahan, former member of Hungarian Jewish Senate (Judenrate) who reached Switzerland with group of 318 from Bergen Belsen (Legation's 5517, August 23) regard such a move as greatly endangering situation of Budapest Jews and have laid following considerations before me which I feel should be communicated to WRB.

One. Past experience has demonstrated that pogroms are much more difficult to carry out in capital cities where public sentiment reacts more energetically, foreign diplomats are located and government which will be held directly responsible for such excesses has its seat.

Two. In last minute deterioration of Hungary's military situation it could be far easier for Germans or certain Hungarian elements to "liquidated" Budapest Jews if they were scattered throughout provinces and located in isolated camps rather than in some 2600 separated dwellings in Budapest.

Three. Erection of barracks in camps to house 120,000 Jews would require several hundred railroad cars of lumber which under present circumstances is not available. Further financial means which Jewish Committee in Budapest still possesses would be inadequate to apy for construction of such camps present Lakatos Governmet having made no move to unblock confiseated Jewish funds for this purpose. As a result of these prospects it is feared that most Jews whose evacuation from Budapest

-2-#6447, September 28, noon, from Bern

is envisaged would be concentrated in thoroughly primitive and unhygienic "camps" similar to those used for assembling Jews in provinces prior to their deportation during May and June. Such "ad hoc" camps were terribly crowded and afford insufficient shelter.

Four. Task of supplying such camps with food which would fall to Central Jewish Senate in Budapest would be exceptionally difficult. Necessary equipment for such camps (kitchens for instance) is lacking and it is very hard in provinces to find adequate supplies locally for large concentrations of persons.

Five. Jews in Budapest despite confiscation and plundering still possess a minimum of clothing and household belongings which would undoubtedly have to be left behind and also be confiscated and stolen.

In view of above pertinent to observations which have also been brought to attention of ICRC I recommend that you seriously consider addressing a formal protest to Hungarian Government against this projected move. Immediate radio broadcast covering situation might be considered. Although it is not yet confirmed that Hungarian Government has begun execution this plan it has stated that contemplated move is designed to bring Jews under exclusively Hungarian control and "preserve them from outside interference".

HARRISON

RB

MS-422

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

Bern

September 28, 1944

Rec'd 6:06 p.m.

Secretary of State.

Washington.

6460, September 28, 7 p.m.

FOR WRB FROM MCCLELLAND

FOR FEA

Leggion's 5718, September 1, 2 p.m.

American Friends Service Committee, Geneva, would greatly appreciate advice whether authorization purchase foodstuffs for refugees France outlined in our 5718 can be granted. Joint Relief Commission is pressing for an answer stating option on foodstuffs cannot be maintained much longer. Friends office at Geneva has already received Swiss franc equivalent \$15,000 from Philadelphia and would like to proceed purchase at least of foodstuffs of Swiss origin.

Harrison

WMB

AIRGRAM TO AMEMBASSY, MONTEVIDEO, URUGUAY

The War Refugee Board requests that you deliver the following message to Rabbi Aaron Milefsky, 896 Sorianno, Montevideo, from Rabbi Abraham Kalmanowitz:

QUOTE As per last alarming information received by us the Germans placed more than one hundred bearers of Paraguayan documents formerly in Vittel under jurisdiction of Gestapo and probably deported them to annihilation camp at Auschwitz. Please arrange influential delegation to Paraguay and made strong representations that Paraguayan Government should instruct their ambassador at Madrid to request good offices of Spain to strongly protect against evacuation of these people from camp for civilian internees and energetically demand to grant them the same rights, privileges, and immunities which Germans expect for their nationals. Paraguay should make it clear to German that should any harm befall these persons Germany would be held strictly accountable for every life. The Paraguayan ambassador at Madrid should diligently and constantly follow up this matter until he will obtain positive results. For your information United States Government is doing utmost to save these people, but Paraguay's direct action is vital.

VAAD HAHATZALA EMERGENCY COMMITTEE
RABBI ABRAHAM KALMANOWITZ UNQUOTE

4:30 p.m.
September 28, 1944

BAKzin:LSLesser:tmh 9-26-44

DEPARTMENT
OF
STATE

OUTGOING
TELEGRAM

226
DIVISION OF
COMMUNICATIONS
AND RECORDS

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

September 28, 1944

4 P.M.

AMEMBASSY,

CHUNGKING.

1263

FOR FRIEDMAN FROM TREASURY

Reference your 1596 of September 22.

Permission granted.

HULL
(GL)



FMA:GL:db
9/27/44

NOT TO BE RE-TRANSMITTEDCOPY NO. 11SECRETOPTEL No. 316

Information received up to 10 a.m., 28th September, 1944.

1. NAVAL

17 ships can now be berthed alongside at MARSEILLE and 9 at TOULON.

Between 16th and 23rd landing craft have been transporting commandos and Partisans to Southern Dalmatian Islands. 500 Commandoes also successfully landed on S. Albanian coast 22nd/23rd.

On 23rd/24th Coastal Forces sank three enemy small craft off Dalmatia.

Objectives north of RIMINI shelled by one of H.M. Destroyers on 24th and by another on 25th.

2. MILITARY

WESTERN EUROPE. Attacks by our armour and infantry during 26th and 27th have extended the flanks of the salient eastwards in ELST area and westwards towards HERTOGENBOSCH. About 2,800 officers and men were evacuated from the ARNHEM bridgehead.

BURMA. Our advance towards TIDDIM maintained and our troops are now about 7 miles from the town.

3. AIR OPERATIONS

WESTERN FRONT. 26th/27th. KARLSRUHE - 937 tons dropped, including 817 incendiary. Thin cloud did not hide markers which were well placed. Bombing well concentrated on them. Reconnaissance one hour later reported considerable fires.

27th. 1093 escorted U.S. heavy bombers dropped 1743 tons at COLOGNE, KASSEL, MAINZ, LUDWIGSHAFEN and other objectives with unobserved results. 323 escorted Bomber Command aircraft bombed defensive positions CALAIS - 1686 tons, where bombing very accurate from below clouds, while 264 others dropped 1042 tons on two oil plants in the Ruhr. Much cloud, both attacks considered scattered. Mitchells and Bostons dropped 65 tons on railway and other objectives Western Germany and 675 fighters flew reconnaissances over the Low Countries. 110 Dakotas and 72 Halifaxes carried supplies to HOLLAND and BELGIUM. German casualties 87, 5, 16. Ours - 41 U.S. heavies, 1 Bomber Command heavy and 23 fighters missing.

27th/28th. Aircraft despatched: KAISERLAUTERN town 172 (2 missing) railway repair shops 55, KASSEL and two other targets - 58 Mosquitoes, Bomber support - 33.

MEDITERRANEAN. 26th. 315 medium bombers (1 missing) and 113 Thunderbolts (1 missing) attacked communications, etc., Northern Italy, while 48 aircraft attacked objectives in Albania and Corfu.

4. HOME SECURITY

Two enemy aircraft and one flying bomb plotted 27th/28th. Latter fell in the sea off SUFFOLK.