

Diary

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May 18, 1944
9:35 a.m.

WAR REFUGEE BOARD

Present: Mr. Pehle
Mr. DuBois
Mrs. Klotz

H.M.JR: I am supposed to see the President this morning with Winant and White. I thought what I could do is to give it to Miss Tully and see that the President takes it with him.

MR. PEHLE: Would there be any chance of your mentioning it to him as you leave there?

H.M.JR: I can have it in my hand. I will try to, but I am afraid that if I say something to him he might say, "Oh, give that to Rosenman."

If, on the other hand, I see that Miss Tully sees that he takes it up to Hyde Park, he will read it up there. I think it is better not to mention it but just say, "Look, Miss Tully, will you see that whatever he takes to Hyde Park he takes this with him?" Otherwise he will say, "Turn it over to Sam."

MRS. KLOTZ: And especially after Cabinet, too.

H.M.JR: I thought I would stop in to see Miss Tully and say, "Will you put this in the basket to go to Hyde Park?" I have had good luck that way.

MR. PEHLE: Yes.

H.M.JR: That Executive Order stopping shipment of gasoline and scrap iron went that way. Let me just read this. (Reads "Proposed Message by the President to the Congress," attached.)

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"Operating quietly"--who are you kidding?

MR. PEHLE: I think that is really right. We haven't indicated the--

H.M.JR: Don't kid me. Isn't that practically the same--the first two pages? Where do you begin to change?

MR. DuBOIS: The last paragraph on page two, Mr. Secretary.

H.M.JR: That still isn't it, gentlemen. "Recently the facilities for the care of refugees in Italy"--you could say, "Refugees in Italy from German-occupied territory." I mean, you have to clear up the fact that these are not Italian refugees.

MR. DuBOIS: We did take care of that, Mr. Secretary, later on.

H.M.JR: No, no, you have to take it right in the beginning.

MR. DuBOIS: Of course, this paragraph precedes that, you see. The one that follows after that also makes it clear.

H.M.JR: No, this is even worse, I think. There is nothing in that paragraph to let you know these aren't Italians.

MR. DuBOIS: It says for a long while the Italian people have been giving refuge.

MR. PEHLE: We will make it clear.

H.M.JR: If you say, "The various races from the Balkans"--is that where they are from?

MR. PEHLE: Principally, yes. Some of them are coming from Germany.

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H.M.JR: Well, if you don't mind, put in in a couple of places that these people are not Italians, see?

MR. PEHLE: The ones to be moved are non-Italians, yes.

H.M.JR: Yes. It isn't clear. There is no harm in doing it.

MR. DuBOIS: The ones to be moved--I think we have made that clear in the next paragraph.

H.M.JR: "Recently the facilities for the care of refugees in Italy have become so overtaxed--"

MR. DuBOIS: The real thing is on the facilities, Mr. Secretary; it includes Italian refugees.

H.M.JR: But look, you read in the paper, "Five hundred thousand refugees descend to Rome." Did you see that?

MR. PEHLE: Yes.

H.M.JR: Clear this up, what you are talking about.

MR. DuBOIS: Of course the answer is, it is both. On the facilities it is both. On the "other people"--we do clear that up.

H.M.JR: After I read it, I don't understand it. It ought to be easy to clear up what kind of refugees they are talking about.

MR. DuBOIS: The answer is, it is both on the facilities.

H.M.JR: I know, but it is who you want to bring over here.

MR. PEHLE: We will clear it up.

H.M.JR: This is much better down here (indicating).

MR. DuBOIS: That is what I thought.

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H.M.JR: You have finally convinced Pehle you could say that! That is much better.

This sentence is awfully involved: "These nations have also made it a part of their settled policy to insure such conditions in enemy and enemy occupied countries as will permit the return thereto of all persons displaced therefrom who have sought refuge elsewhere." It is an awfully long sentence. Have a look at it again, will you?

MR. PEHLE: Surely.

Isn't that new "...the triumph of the forces of decency in a war-torn world"?

MR. DuBOIS: Yes.

H.M.JR: I think it is swell.

MR. PEHLE: Well, there are several other documents that have to go over at the same time. One is the cable of Robert Murphy telling him to do this thing.

Another is a memorandum to War, Navy, Interior, Budget, and to me on the mechanics of getting it in operation.

H.M.JR: Let me just see how we do this thing.

MR. PEHLE: Here is a covering memorandum from me. (Hands the Secretary "Memorandum to the President," dated May 18, 1944, attached.)

H.M.JR: To the President?

MR. PEHLE: Yes.

H.M.JR: Well, on page two where you say, "This emergency situation can be eased," I would say, "It was your suggestion that this emergency situation could be eased."

MR. PEHLE: We didn't tell him about the Italian thing at the time we spoke to him. His suggestion is the

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one referred to on page one, that if there was an emergency situation--

H.M.JR: Then I would say, "The following emergency situation seems to be made to order to carry out your suggestion."

MR. PEHLE: Yes. If you do that, you are putting on paper that he asked for an emergency and we produced one.

MR. DuBOIS: That is what we thought we could do with one sentence, Mr. Secretary.

MR. PEHLE: We can do that.

H.M.JR: Yes, but you see, I know the man so well-- it is so far away you have to keep saying in this thing that this is his idea.

MR. PEHLE: Can't we do it by saying--we will put it in such a way that we don't say on paper, "You asked that there be an emergency and we produced one."

H.M.JR: Don't worry about that. He did, didn't he?

MR. PEHLE: That is right, he did. But I don't like to put it on paper.

H.M.JR: That is all right; you can put it this way, "The situation--"

MR. PEHLE: "...is exactly the type--"

H.M.JR: "The following situation is the kind that you described and that you had in mind." I want to get in the words that this was in his mind.

MRS. KLOTZ: Was he that specific?

MR. PEHLE: He didn't say this situation, but he said, "An emergency situation," and this is.

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MRS. KLOTZ: I thought you covered that then in the second paragraph.

MR. PEHLE: We did, but we can repeat it so he can keep well in mind that this is following his suggestion.

MRS. KLOTZ: In the second paragraph it says, "You will recall your view that if an emergency situation should arise in which it became important to bring a relatively small number of refugees to this country in order to pave the way for the saving of additional lives, you would be favorably disposed to take such a step, informing the Congress of your action."

H.M.JR: Yes, but then when he gets down to the thousand refugees--it is on page two--he has forgotten it. You have to repeat that this was in his mind. Take my word for it. You are here for advice now.

MR. PEHLE: That is right.

H.M.JR: Then take my word for it, I would repeat. After all, you didn't create the emergency; you located the emergency, the sort which he had in mind. There is no reason to be timid about that. It isn't as though you went out and created one. That is the difference.

MR. PEHLE: There is a big difference, too.

H.M.JR: "On my return"--this is Pehle speaking--"to the office, I was amazed to find the very kind of situation that you had in mind."

MR. PEHLE: That is good.

H.M.JR: Is that all right?

MR. PEHLE: Sure.

MR. DuBOIS: Yes, something like that.

H.M.JR: "On my return, I was amazed and shocked--"

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MR. DuBOIS: The only thing I don't like is the "amazed" part.

H.M.JR: Listen, take it from me, the important thing is to say two or three times in this thing, "Mr. President, this is what you had in mind."

MR. PEHLE: Mr. Hull made the same point. He said to be sure to remind him what he said to you.

H.M.JR: Maybe I am wrong then! He said the same thing?

MR. PEHLE: That is right. It is very important.

H.M.JR: My God, of all the times he has told me he wanted to do something--and his face is a complete blank--"I don't know what you are talking about." Then I have to go over it step by step. Hull is right.

Now this thing, "Attached are the following documents"--that should be on a little piece of paper separate.

MR. PEHLE: You mean the documents attached?

H.M.JR: That should be on a little piece of paper up here, signed by Pehle, and then this memorandum comes, so he knows, you see. Then have exhibits one, two, three.

MR. PEHLE: Including this memorandum?

H.M.JR: Including this memorandum.

I was going to tell you to do what you have here, but you have it. That should be on a little separate piece of paper, and then the three exhibits would follow.

MR. PEHLE: Yes, sir.

What is the deadline on the time?

H.M.JR: I am supposed to be over there sometime between eleven and twelve. I haven't heard yet.

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MR. PEHLE: There is a lot of typing to do.

H.M.JR: That is all right. I could take it over at two o'clock and go a little bit early.

MR. PEHLE: That would give us more time. I am supposed to see Ambassador Harriman at State.

H.M.JR: Give it to me a little bit before two.

Are you with me, Joe?

MR. DuBOIS: Yes, I am with you. I am just disappointed that you are not going to be able to see him, that is all.

MR. PEHLE: We all are, but you have to operate within the limits.

H.M.JR: I asked for it. I am telling you the way I always do; I asked for the other one first and you second, but I said the other one was more important.

MR. DuBOIS: Sure.

H.M.JR: I want also to be thoroughly frank with you people; I was considerably bothered about my accompanying Pehle the second time, although you wanted it. I was afraid that seeing me would put in his mind that he should see Sam.

MRS. KLOTZ: There is a whole lot to that.

H.M.JR: And if he didn't see me, he wouldn't think of Sam.

And I will get it so he will have it to read over the week end. But I have been considerably bothered that my being there would have the reactions, "Where is Sam," so I don't feel too bad.

MR. PEHLE: Right.

May 18, 1944

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Secretary Morgenthau took the original of this and left it with Grace Tully to put in the mail that is leaving tonight with the President.

May 18, 1944

TO THE PRESIDENT

Attached are the following documents:

(1) Memorandum outlining emergency refugee situation in Italy which requires urgent solution not only to save additional lives but also to relieve the burden on military authorities. This situation more than justifies carrying out your suggestion for bringing approximately 1,000 refugees to this country to be placed in a War Refugee Center.

(2) A draft of a message to be sent to Congress at the appropriate time, informing them of the action taken.

(3) A cable from you to Robert Murphy, asking him to make immediate arrangements for the transportation to the United States from Italy of approximately 1,000 refugees of various categories.

(4) A memorandum from you to the Secretaries of War, Navy, and Interior, the Director of the Budget and the Executive Director of the War Refugee Board, requesting them to make arrangements for receiving these refugees in the United States.

(signed) J. W. Pehle

May 18, 1944

MEMORANDUM TO THE PRESIDENT

On May 11, 1944 I discussed with you a proposal of the War Refugee Board that consideration be given to the establishment in this country of temporary havens of refuge. I attach hereto the memorandum on this subject signed by the members of the Board. During the course of our discussion I emphasized the great importance of a measure of this kind to the success of the Board's program, both in its psychological aspect and in the actual evacuation of refugees from enemy territory. I also mentioned the numerous indications of a favorable public reception of such a step.

You will recall your view that if an emergency situation should arise in which it became important to bring a relatively small number of refugees to this country in order to pave the way for the saving of additional lives, you would be favorably disposed to take such a step, informing the Congress of your action.

Such a situation has now developed in Italy.

As a result of the limited facilities in that part of Italy under Allied control, the military forces have not been able, generally speaking, to encourage the escape of refugees to Italy from enemy territory, and for this reason, the escape of the largest possible number of refugees has been prevented. Moreover, the problem of the care of the fairly substantial number of refugees who have arrived in Italy by their own efforts, has constituted a considerable burden to the military authorities. Quite recently the facilities for the care of refugees in southern Italy have become so overtaxed that the military authorities have taken steps actually to discourage the escape of further refugees to that area from German occupied territories until many of the refugees now in Italy can be moved to havens of refuge elsewhere.

This situation not only prevents the rescue of people in Yugoslavia who are being indiscriminately slaughtered by the Germans, but also interferes with efforts to rescue Jews, from their desperate plight in Hungary, through Yugoslavia.

Moreover, the military authorities are now insisting that a number of refugees be taken elsewhere without delay in order to relieve the congestion. The British authorities have been and are removing many refugees from Italy to camps in Egypt. However, in order to meet the problem, some refugees must be removed promptly to other areas. The military authorities have suggested that approximately 750 refugees be taken at once from southern Italy to Camp Lyautey near Fedhala, Morocco. It is our view that such a step is not feasible for the following reasons:

(1) The UNRRA representative in charge of supervising Camp Lyautey has advised that in the present circumstances it will not be possible to care for more than the approximately 800 refugees who are being brought to the camp from Spain.

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(2) The bringing of refugees from Italy would practically exhaust the quota of 2,000 which may be taken to that camp, thus interfering with our effort to increase the number of refugees escaping from France to Spain by removing them to Camp Ryaney as soon as they enter Spain.

To insist that the British or French take additional refugees when we ourselves are taking none, would in the best of cases involve long delays and would be unsatisfactory from many points of view.

This emergency situation is, I believe, exactly the type of situation which you had in mind. We can break this bottleneck by immediately bringing to the United States approximately 1,000 refugees from southern Italy and placing them in an unused Army camp along the eastern seaboard, where they would remain until the end of the war. This step will not only enable us actually to bring more people out of enemy territory, but will also demonstrate to the Germans and to the world that our refugee policy is being implemented by action. In this connection it should be emphasized that in view of military developments the potential escape route through Yugoslavia from Hungary and the Balkans is of primary importance and should be exploited to the full before the situation again changes.

(signed) J. W. Pehle

PROPOSED MESSAGE BY THE PRESIDENT TO THE CONGRESS

Congress has repeatedly manifested its deep concern with the pitiful plight of the persecuted minorities in Europe whose lives are each day being offered in sacrifice on the altar of Nazi tyranny.

This Nation is appalled by the systematic extermination of helpless minority groups by the Nazis. To us the unprovoked murder of innocent people simply because of race, religion or political creed is the blackest of all possible crimes. Since the Nazis began this campaign many of our citizens in all walks of life and of all political and religious persuasions have expressed our feeling of repulsion and our anger. It is a matter with respect to which there is and can be no division of opinion amongst us.

As the hour of the final defeat of the Hitlerite forces nears, the fury of their insane desire to wipe out minority groups in Europe continues undiminished. Knowing that they have lost the war, the Nazis are determined to complete their program of mass extermination of minorities. This program is but one manifestation of Hitler's aim to salvage from military defeat victory for Nazi principles - the very principles which this war must destroy unless we shall have fought in vain.

This Government has not only made clear its abhorrence of this inhuman and barbarous activity of the Nazis, but, in cooperation with other governments has endeavored to alleviate the condition of the persecuted peoples. In January of this year I determined that this Government should intensify its efforts to combat the Nazi terror. Accordingly, I established the War Refugee Board, composed of the Secretaries of State, Treasury and War. This Board was charged with the responsibility of taking all action consistent with the successful prosecution of the war to rescue the victims of enemy oppression in imminent danger of death and to afford such victims all other possible relief and assistance. It was entrusted with the solemn duty of translating this Government's humanitarian policy into prompt action, thus manifesting once again in a concrete way that our kind of world and not Hitler's will prevail. Its purpose is directly and closely related to our whole war effort.

Since its establishment, the War Refugee Board, acting through a full time administrative staff, has made a direct and forceful attack on the problem. Operating quietly, as is appropriate, the Board, through its representatives in various parts of the world, has actually succeeded in saving the lives of innocent people. Not only have refugees been evacuated from enemy territory, but many measures have been taken to protect the lives of those who have not been able to escape.

Above all, the efforts of the Board have brought new hope to the oppressed peoples of Europe. This statement is not idle speculation. From various sources, I have received word that thousands of people, wearied by their years of resistance to Hitler and by their sufferings

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to the point of giving up the struggle, have been given the will and desire to continue by the concrete manifestation of this Government's desire to do all possible to aid and rescue the oppressed.

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

Notwithstanding this Government's unremitting efforts, which are continuing, the numbers actually rescued from the jaws of death have been small compared with the numbers still facing extinction in German territory. This is due principally to the fact that our enemies, despite all our appeals and our willingness to find havens of refuge for the oppressed peoples, persist in their fiendish extermination campaign and actively prevent the intended victims from escaping to safety.

In the face of this attitude of our enemies we must not fail to take full advantage of any opportunity, however limited, for the rescue of Hitler's victims. We are confronted with a most urgent situation.

Therefore, I wish to report to you today concerning an extraordinary step which I have just taken in an effort to save additional lives and which I am certain will meet with your approval. You will, I am sure, appreciate that this measure is not only consistent with the successful prosecution of the war, but that it was essential to take action without delay.

Even before the Allied landing in Italy there had been a substantial movement of persecuted peoples of various races and nationalities into that country. This movement was undoubtedly prompted by the fact that, despite all attempts by the Fascists to stir up intolerance, the warm-hearted Italian people could not forsake their centuries-old tradition of tolerance and humanitarianism. The Allied landings swelled this stream of fleeing and hunted peoples seeking sanctuary behind the guns of the United Nations. However, in view of the military situation in Italy, the number of refugees who can be accommodated there is relatively limited. The Allied military forces, in view of their primary responsibility, have not been able generally speaking to encourage the escape of refugees from enemy territory. This unfortunate situation has prevented the escape of the largest possible number of refugees. Furthermore, as the number of refugees living in southern Italy increases, their care constitutes an additional and substantial burden for the military authorities.

Recently the facilities for the care of refugees in southern Italy have become so overtaxed that unless many refugees who have already escaped to that area and are arriving daily, particularly from the Balkan countries, can be promptly removed to havens of refuge elsewhere, the escape of refugees to that area from German occupied territory will be seriously impeded. It was apparent that prompt action was necessary to meet this situation. Many of the refugees in southern Italy have been and are being moved to temporary refuges in the territory of other United

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and friendly nations. However, in view of the number of refugees still in southern Italy, the problem could not be solved unless temporary havens of refuge were found for some of them in still other areas. In view of this most urgent situation it seemed indispensable that the United States in keeping with our heritage and our ideals of liberty and justice take immediate steps to share the responsibility for meeting the problem.

Accordingly, arrangements have been made to bring immediately to this country approximately 1,000 refugees who have fled from their homelands to southern Italy. Such refugees will be placed in a War Refugee Center where, under appropriate security restrictions, they will remain for the duration of the war. These refugees are being brought here outside of the regular immigration procedure, just as prisoners of war have been brought here. Here they will receive the humane treatment which our civilization provides, and here they will be safe. Upon the termination of the war they will be sent back to their homelands.

The refugees, upon their arrival, will be placed in a vacated Army camp on the Atlantic seaboard. While the War Refugee Board is charged with the overall responsibility for this project, the Army will take the necessary security precautions and the actual administration of the camp will be in the hands of the War Relocation Authority.

With the cooperation of the United Nations, we are determined to insure that these and other refugees from death may live again on their own soil. To this end the principal United Nations involved have already pledged that each of them will receive after the war its nationals who have fled for their lives and have been given asylum in other countries. These nations have also made it a part of their settled policy to insure such conditions in enemy and enemy occupied countries as will permit all persons who have been forced to flee from these countries to return. These humane principles already have the support of the United States, Great Britain, the Soviet Union, Luxembourg, Yugoslavia, Norway, The French Committee, Greece, Belgium, Poland, Czechoslovakia, and the Netherlands.

It is my hope that other interested nations will also expand their already existing programs of asylum. In this way we shall have a plan and a program that will represent the triumph of the forces of decency in a war-torn world.

I am convinced that the emergency action which has been taken will make possible the saving of additional lives. I am also convinced that such action will effectively contribute to the successful prosecution of the war by inspiring in the minds of all oppressed peoples a conviction of the sincerity and effectiveness of a democracy.

It is indeed fitting that this great Nation, which by the very nature of its conception has always been a refuge for the fugitive from injustice, oppression and persecution, should now furnish to those whose very lives are threatened by Hitler the sanctuary and asylum which since biblical times have been afforded the defenseless by civilized peoples.

PROPOSED CABLE FROM THE PRESIDENT TO ROBERT MURPHY

Information available to me indicates that there are real possibilities of saving human lives by bringing more refugees through Yugoslavia to southern Italy. I am also informed that the escape of refugees by this route has from time to time been greatly impeded because the facilities in southern Italy for refugees have been overtaxed. I am advised that this is the situation at the present moment and that accordingly possibilities of increasing the flow of refugees to Italy are being lost.

Accordingly, I have decided that approximately 1,000 refugees should be immediately brought from Italy to this country, to be placed in a War Refugee Center where, under appropriate security restrictions, they will remain for the duration of the war. These refugees will be brought into this country outside of the regular immigration procedure just as civilian internees of Latin American countries and prisoners of war have been brought here. The War Refugee Center will be well equipped to take good care of these people. It is contemplated that at the end of the war they will be returned to their homelands.

In my opinion it is important that the United States indicate in this way that it is ready to share the burden of caring for refugees during the war.

Arrangements are now being made here to make available one of a number of vacant Army camps in which these refugees will be placed upon their arrival. You may assume that we will be ready to receive these refugees when they arrive. I will appreciate it therefore if you will arrange for the departure to the United States as rapidly as possible, consistent with military requirements, of approximately 1,000 refugees in southern Italy. You may call upon representatives of the War Refugee Board in Algiers to assist you in this matter. The full cooperation of our military and naval authorities should be enlisted in effecting the prompt removal and transportation of the refugees.

In choosing the refugees to be brought to the United States, please bear in mind that to the extent possible these refugees should be selected for whom other havens of refuge are not immediately available. I should however like the group to include a reasonable proportion of various categories of persecuted minorities who have fled to Italy, bearing in mind my wish for speedy action.

I understand that consideration is being given to moving 750 refugees in southern Italy to Camp Lyautey at Fedhala. In view of the fact that the facilities of this camp are limited and that to the extent that Camp Lyautey is filled with refugees from Italy it will diminish the number of refugees who can be brought from Spain, it seems desirable to meet the pressing problem in Italy by using havens of refuge other than Camp Lyautey. Accordingly, you should consider carefully the desirability of including part of these 750 refugees in the group which is to be brought to the United States.

You should also bear in mind that since these refugees are to be placed in a War Refugee Center in the United States under appropriate security restrictions, the procedure for the selection of the refugees and arrangements for bringing them here should be as simple and expeditious as possible, uncomplicated by any of the usual formalities involved in admitting people to the United States under the immigration laws.

I intend to send a message to Congress informing them of this action.

If you encounter any difficulties in arranging for the prompt departure of these refugees please let me know.

MEMORANDUM FOR:

Secretary of War
 Secretary of Navy
 Secretary of Interior
 Director of Budget
Executive Director of War Refugee Board

There is attached a cable which I have dispatched to Robert Murphy in Algiers, requesting that he make arrangements for the departure to the United States as rapidly as possible of approximately 1,000 refugees now in southern Italy.

These refugees will be brought into this country outside of the regular immigration procedure and placed in a vacant Army camp on the Atlantic seaboard. While the War Refugee Board is charged with the overall responsibility for this project, it is my desire that the Army take the necessary security precautions so that these refugees will remain in the camp and that the actual administration of the camp be in the hands of the War Relocation Authority.

Accordingly, the following steps should be taken as expeditiously as possible:

- (1) The War Department and the Navy Department should send whatever instructions are necessary to the military authorities in Italy and North Africa to expedite the transportation of these refugees to the United States.
- (2) The War Department should arrange to furnish and properly equip an unused Army camp on the Atlantic seaboard to receive these refugees; should arrange for their transportation from the port of arrival to the camp; and should arrange for the necessary security precautions.
- (3) The War Relocation Authority should make arrangements to handle the actual administration of the camp, which will be designated as a War Refugee Center.
- (4) The Bureau of the Budget should make arrangements for financing the project, using any available funds of the War Department; the War Relocation Authority and the War Refugee Board to the extent possible, and if necessary drawing upon the President's Emergency Fund.

Attachment.

May 18, 1944
10:00 a.m.

DATE OF MONETARY CONFERENCE

Present: Mr. White
Mr. Smith
Mr. O'Connell
Mrs. Klotz

H.M.JR: I have been told that Ambassador Winant, Baron White, and Private Morgenthau are to see the President sometime today. He is going to see the Ambassador, I believe, at noon. It has been shifted a couple of times. I haven't heard officially.

After he sees the Ambassador, he is going to see Baron White and Private Morgenthau.

Now, I have been doing some thinking as to the time. White said that he thought it would be a mistake to have it during the week of which I now say I have definite commitments, namely from the 11th of June through Monday, the 19th. I will get back on the 20th.

You also said that something could be either the 21st or the 5th of July. If it won't hurt the success of the conference any, then I would very much prefer to have it the 5th of July, because if I am to take part in this thing and give you the best I have, I can't be running a sixteen billion dollar war bond drive, have my mind on that, and also have my mind on this other thing. It is a physical effort.

Now, if you say to me that the success of your meeting will not be injured by having it on the 5th of July, then I would very much prefer it.

I also want everybody to talk up very frankly, because I want this thing a success. Then there is the question of the political angle and the public relations angle, and so

- 2 -

forth, and so on. That is what this little meeting is for, so we can go in to see the President. I don't want to have a discussion with him. I want Harry and myself to be together.

I have been very frank, and I would like everybody else here to be equally frank.

MR. WHITE: One danger is the one I have mentioned. I am not certain how much weight to put on it. I quite agree with you that the bond drive and the other can't overlap, but there might be a possibility of beginning it, what I thought was several days at least after you came back. I thought it might be the 22nd, 23rd, or 24th. But the danger of having the meeting after the Republican convention arises from the fact that they will, of course, at that time know that the conference is to be held. It will receive, probably, a good deal of publicity. And at some time during the discussion of the resolutions of the Republican convention or the Republican platform, it would seem to me that they would have to take cognizance of that, and in order to make political capital out of it--and in my opinion, apparently everything they are doing is toward that end--that they may formulate a resolution which they know will make it very difficult for you to carry through on the basis of our preliminary agreement on the principles. They are liable to put the American delegation in the position of either having the conference a failure because you feel you can't go contrary to the Republicans, which is not likely, or being able to come to the public later and say that they are all for these objectives. "We stated that in our resolution, but we also made very clear that we think the best way is as follows: And notwithstanding that fact, the American delegation went against our wishes, and what is more they will have a Republican on the delegation who will be bound by the resolution, and he is liable to walk out on you by saying that this isn't what we want.

H.M.JR: You have said all of that before to me.

MR. WHITE: Well, there is nothing in addition that I have. There is nothing new in the picture.

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H.M.JR: Of course, I don't agree with you, you know. I don't think the Republicans are going to single this thing out, but I don't know what Joe thinks.

MR. O'CONNELL: There is no certainty of that. They have had a great deal of difficulty in making up their minds as to how to oppose this proposal. They haven't been able to get their teeth into any substantial reason for being against it.

But on the point you made, Harry, the danger is almost equally true if you have conference a week or two earlier. You will be having it then while the Republican convention is going on, which seems to me has the same possibility of danger. You can't have it early enough to avoid cutting across, either having it while the Republican convention is on or after. I think the element of danger is more on the 5th of July than on the 23rd or 24th of June.

MR. SMITH: I think it shouldn't under any circumstances overlap the Republican convention, as such.

Now, aside from all political considerations, half of the success of this convention is going to depend on the control and the degree of publicity we can get out of it. And there is no point in trying to get publicity out of anything during the Republican convention, because they are going to hog all the papers. It is the most important thing to the newspaper editors. So I think you ought to take out the 26th. I think they are just going to get Dewey nominated and call it a day, get it over quick, make it look like a unanimous people's choice.

But I think that you would be much better to have-- under no circumstances should it overlap that. If you have time to do it and get it out of the way before, that would be fine. If you haven't, then you ought to do it afterwards.

MR. WHITE: There is no time to get it over. It would conflict with the bond drive, and I personally feel very strongly that the Secretary should not be away during the conference. It would be a grave mistake for many reasons

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MR. SMITH: I think it would be an awful gamble if the bond drive didn't go well. You couldn't concentrate on this at all.

H.M.JR: Here you have these things: He said it shouldn't overlap with the Republican convention, with which I agree. So it gets down to being either you would have to start it around the 1st of June or something--

MR. WHITE: That is impossible.

H.M.JR: Let's just get it--the 1st of June or somewhere in there, because I have to make this speaking trip now, I am convinced, from the 12th to the 19th. You certainly can't back out of that. I mean, here is Patman and all of that; he is getting to be so useful to us, all for the payoff to go down there. Every day he is doing something useful for us.

Now, if you don't want it to overlap--and I think that that is right--how early could you hold it, Harry?

MR. WHITE: Well, you see, you probably could hold it as early as June 1, but that would allow only nine days for the conference, which is an impossible gamble. You have to allow at least two weeks, and most likely three weeks. Therefore, if June 9 is the outside date, it would have to be held sometime in the latter part of May--May 30, let's say. Even that is dangerous. The 26th is the latest date, and May 26--it is now the 18th. It is impossible. So I think that resolves into the choice being after the Republican convention or after the Democratic convention.

MR. O'CONNELL: That is right.

MR. SMITH: I am not sure that the Republicans would actually put a resolution in about this. If our conference overlapped there, they would do a lot of talking about it, which would be damaging, but you see, you have Vandenberg, who is more or less on our side of the fence. I don't know, but I have a suspicion that Hoover may be on our side of the fence a little bit. If those two men are, they are

- 5 -

not going to put a platform in the Republican Committee, because those two guys are running it.

MR. WHITE: Well, I think it would be probably preferable as between after the Republican convention and after the Democratic convention, probably, to have it in between, giving the Democratic convention an opportunity to come out for it and make it a party issue.

MR. SMITH: If they make it a party issue, that will give us an opportunity to make it a party issue.

H.M.JR: When is the Democratic convention?

MR. WHITE: I thought it was the 19th of July.

H.M.JR: Fitz knows.

(Mr. Fitzgerald confirms dates to the Secretary.)

MR. WHITE: July 5 to 19; that is a little close. Therefore, how would July first be? I mean, it is the 4th of July--it is too bad, but nineteen days is cutting it pretty fine.

H.M.JR: What is the nineteen-day period?

MR. O'CONNELL: Before the Democratic convention.

H.M.JR: What the heck? If we haven't enough influence to either see they don't or they do put something in, don't worry.

MR. WHITE: No, I was thinking of the point of view of Fred's position, about publicity for the Democratic convention.

MR. SMITH: The Republicans run all the newspapers. We will just get a piece of that.

MR. O'CONNELL: The 5th is the best date.

MR. WHITE: That will mean it will run over through the Democratic convention.

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MR. SMITH: I wouldn't object to that.

H.M.JR: Do you object to that?

MR. O'CONNELL: No.

H.M.JR: Then on account of the holiday travel and everything, I would make it the 6th.

MR. O'CONNELL: Is the 5th Monday?

MR. WHITE: I don't know. That doesn't matter as long as you don't mind its running over the Democratic convention.

MR. SMITH: It might be advantageous, because if the Republicans did take a stand against it, it would give us a chance to take a much stronger stand for it.

MR. WHITE: Except you wouldn't have a formulation by then. The final plenary session would probably be after the Democratic session. The Democratic convention might run two or four days. Is that reasonable?

MR. O'CONNELL: Yes.

MR. WHITE: In which case, if you had it July 6 and it lasted twenty-one or twenty-two days, then the final session at which there will be an announcement of an agreement would be after the close of the Democratic session, certainly after the close of the resolution.

MR. SMITH: That is fine. Then the publicity is out of the way on the Democratic convention in time to give us space.

MR. O'CONNELL: As far as the Democratic platform is concerned, if you do have something in the Republican platform, there will be high-sounding generalities, and we can do equally as well regardless of whether the convention and conference are over.

H.M.JR: I think this should end so that the--look, both the Republicans and Democrats and anybody else are going to take a back seat depending on the war news. You

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are going to have to fight the front page and the back page.

MR. SMITH: Oh, yes.

H.M.JR: As far as the war is concerned, I think that the 6th of July is much better. I think it is going to be much easier to get your people over here.

MR. WHITE: Yes, it relaxes it all down the line. The Russians have named their delegation. The names are very funny. None of them are familiar to me.

MR. SMITH: How would you know?

MR. WHITE: All I have to do is look at them.

(Mr. White hands the Secretary list of delegates.)

MR. SMITH: Harry is going to get in touch with them and have them rechristened George No. 1, George No. 2, and George No. 3.

MR. WHITE: It will be helpful if we can get a decision today, because there are a number of people. It has reached an amusing stage. The Australians are waiting to catch a plane, because if they once start home, they can't come back. There are several such delegations.

H.M.JR: Let's say, if it is agreeable to everybody in the room here, July 6. That is a Thursday.

MR. WHITE: All right.

H.M.JR: Have you picked the place yet?

MR. WHITE: How can I if you don't know the dates?

H.M.JR: Of all the hot spots, French Lick!

MR. WHITE: There are some nice places in Maine, Bar Harbor and such places.

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MRS. KLOTZ: I imagine this time of the year in Maine there will be, because it is hard to get to.

H.M.JR: If you could move it up to Maine--

MR. WHITE: Yes, sir, there are lovely spots along there.

H.M.JR: You can't pick a hotter spot than French Lick. It is in southern Indiana; there won't be a breath of air. And the stink of sulphur that permeates that hotel is something terrific. I have been there.

MR. WHITE: Why not rule it out? Let's at least enjoy it. We may not get anything else out of it.

MR. SMITH: Why don't we go to Bar Harbor and get a Coast Guard boat to take us up. I would like that.

H.M.JR: Have it in Maine or New Hampshire, some place up in the mountains there.

MR. WHITE: It is hard to find hotels.

MR. O'CONNELL: Their season starts after the 15th of June, and they will be harder to get.

H.M.JR: By the process of elimination July 6 is all right?

MR. WHITE: Yes.

May 18, 1944
10:55 a.m.

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HMJr: Mrs. Robey?

Mrs.
Robey: Yes, Mr. Secretary.

HMJr: Tell, Mr. Olrich I have requested the services
of Lieutenant Colonel Noh, N-o-h....

R: Yes, sir.

HMJr:from Mr. Patterson.

R: Yes, sir.

HMJr: And Mr. Patterson is going to let me know.

R: All right, sir, I'll give him that information.

HMJr: Thank you.

R: You're welcome.

May 18, 1944
3:41 p.m.

27

HMJr: Hello.

Ernest
Olrich: Hello, Mr. Secretary. Mr. Olrich talking.

HMJr: How do you do? Charlie Bell tells me you're going to take on the additional responsibility.

O: Yes, sir. Because I think I'll be able to do a better job in the one that I have.

HMJr: Well, that's wonderful.

O: Yes, if that -- that is because then I can make the decisions without thinking I'm stepping on somebody else's toes.

HMJr: Fine. Well, that's good news for us, and

O: Well, I'll try to organize it -- for it so I don't stumble.

HMJr: Fine. Anything special you want to tell me?

O: No, sir, we've -- I think we'll have our first report out. We had -- first we had the wire break down and then we had the machine break down and today we had our man break down, but we'll....

HMJr: (Coughs)

O: We'll get -- hello?

HMJr: Hello.

O: We'll get him underway.

HMJr: Right.

O: We've been working him a little too hard and things are beginning to pick up a little bit.

HMJr: Good.

O: I'll be over probably Monday to talk to you.

HMJr: Right.

O: I have the package that we talked about and I'll have that for you Monday.

HMJr: Well, when you come over....

O: Yes.

HMJr:let -- be sure, now, and let me know
what it cost.

O: Yes, sir. I will, sir.

HMJr: Right.

O: All right.

HMJr: Thank you.

O: Good bye.

HMJr: Bye.

May 18, 1944
3:50 p.m.

Re: CABINET

Present: Mr. D. W. Bell
Mr. White
Mr. Pehle
Mr. Luxford
Mr. Robert Morgenthau
Mrs. Klotz

H.M.JR: I am trying to give a rapid-fire dictation of what happened at Cabinet without too many interruptions from my son Robert.

MR. WHITE: I should have thought he had drunk enough water!

MR. ROBERT MORGENTHAU: I was pretty careful.

H.M.JR: Anyway, here goes.

I gave Miss Tully a memorandum that you gave me, which I would like a copy of for the President. She is going up to Hyde Park and will take it with her and give it to the President in Hyde Park. Do you see?

MR. PEHLE: You said you would like a copy? Mrs. Klotz has it.

H.M.JR: Now, in going around to Cabinet--in the first place, I have never seen the President look as well in a long time. I am delighted at the way he looks, simply delighted.

He asked Stettinius what he had--this and that, nothing much. Finally he said, "Nothing else."

The President kept saying, "There is something I want to take up."

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Stettinius said, "The Argentine?" Then that started the whole Argentine question.

The President said, "Henry wants to apply sanctions, but you can't do that on account of the English, and the food," and so forth, and so on.

He turned to me and said, "Have you seen the directive from the Combined Chiefs of Staff?"

I said, "Yes, I have, Mr. President, but the interesting thing is, the cable that Mr. Hull sent to Ambassador Armour was the day after that directive came through."

The President said, "Well, I don't know what cable you are referring to."

I said, "I sent it to you." Then I sketched what was in it. I said, "It went much further than I had wanted. If they had put that in, that would satisfy me."

"Well," he said, "I don't know."

Then Byrnes got in how badly we needed corn, and how hard up we were for corn, and to my amazement the Vice President said nothing other than that he had seen the Director of OPA, Bowles, and Bowles said that we used to consume, I think, one hundred and thirty-four pounds of meat a year; now we consume one hundred and fifty. That is all the contribution the Vice President made. I had to take the whole thing alone; nobody helped me.

The President said, "Well, we are all strong. We eat a lot more meat than we used to." That was the only contribution of the Vice President.

Then the President said, "Well, Ed, you make a bad face at the Argentinians once a week. You have to treat them like children."

I said, "Mr. President, I don't think that that is enough. After all, we can win the war in Europe, win it

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in Asia, and find out we have a strong, rich Fascist country at our back yard."

The President said, "Well, I have been trying to build up the Brazilians so they can meet that situation."

Well, I said everything I said in my letter, which he doesn't seem to have read--I said everything. Nobody in the whole group would back me up, not a single person, including the Vice President.

Oh, yes, then Vinson got to the meat situation, and so forth, and so on. So I said, "Well, I have talked with Marvin Jones," and he said that if we have to furnish the British with the meat, it means ten percent less in this country. "It will be very difficult." If I say so myself, I talked very forcefully. I don't know whether I made an impression on the President. Nobody came to my rescue.

MR. WHITE: Who was there from the Army?

H.M.JR: A man by the name of Stimson.

MR. WHITE: Oh, yes, yes.

H.M.JR: You remember, he was Governor General of the Philippines fifty years ago.

MR. WHITE: What is his grandfather doing?

MR. LUXFORD: We have a good case on the Argentine in strategic materials.

MR. PEHLE: Do they make a record of what does on?

H.M.JR: They have no record, no secretary. The English Cabinet has. That is why I am doing this.

MRS. KLOTZ: Maybe it is just as well.

H.M.JR: The next thing we got on to was, the President asked me about the war loan. He said, "I guess nobody wants to buy a war bond anymore. At least that is the way I feel."

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I said, "Mr. President, I think you are wrong." I told him about the fine organization of five million volunteers ready to go. Of course, it will depend upon the war news.

He said, "That is fine, because I guess my feelings are wrong. I hope you are not boasting too much."

I said, "Yes, I am boasting, but I think we can make good, always depending on the war news."

The President objected to my talking on the Argentine, but it made me sore as hell. Leo Crowley and all these people--not a person said a word.

Then we got on to China and Mr. Wallace's leaving Saturday for China. Now wait until you get this. He and the President had a discussion this morning, and the President said, "Things in China are terrible. The currency is three hundred yuan to the dollar."

Stettinius said, "No, that is wrong, Mr. President; it is four hundred."

So I said, "Well you are wrong, Ed."

After Cabinet he said, "Well, I don't know, I got my information from a pilot who flew me back from China."

I said, "That is not a very good source of information."

So Mr. Stimson spoke up and said, "Yes, we are all very much worried, and it is very critical," and so forth, and so on.

So I said, "Mr. President, I have been in consultation with General Somervell and General Clay. They are entirely satisfied. The big Army projects for the secret fields are going ahead. We are practically over the hump, and they are practically completed. After all, it is a separate province; they can't control the thing," and so forth, and so on.

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So Stimson said, "Well, of course, my information isn't very recent, but maybe that is right. The last time I saw Somervell he was worried."

I felt like saying, "That was three months ago."

Then the President said, "I think we ought to have a new unit of currency in China. I told you that, Henry"-- this is Wallace.

Henry said, "I also told you, Mr. President, that I wanted to see Harry White before I did anything about it."

Then the President said, "What we ought to do is to have price control in China!"

MR. WHITE: It shows abysmal ignorance of what is coming.

H.M.JR: He says, "This thing of four hundred--" and so forth, and so on--

I said, "You know, Mr. President, where they are building these fields--General Chiang Kai-shek has no control over them. After all, they tried to blackmail you into a loan and you resisted it." I said again, "We are over the hump and General Somervell is satisfied. The only thing now which will do him any good is to get him some goods, and we can't do that."

The President said, "The Japanese run it beautifully. They have control of the currency, and they run it beautifully. Why can't we do it if they do it? I think we ought to have fixed prices and price control."

I said afterwards to Henry Wallace, "I have never heard the President have so much misinformation or be so badly informed on any subject."

Henry Wallace said, "Good."

I said, "Well, it is not good."

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So you and I are going to see him the first thing tomorrow. This is tragic.

I also want you, Harry, to make a note of this, whatever the rate is on China.

MR. WHITE: The black market rates run all the way from two hundred--occasionally a man might in a certain spot get four hundred, but--

H.M.JR: We will send off a cable tonight.

MR. BELL: We have a cable on the purchases of our disbursing officer yesterday, Harry.

H.M.JR: Let's get something fresh on the thing.

MR. PEHLE: What is Wallace going to do?

H.M.JR: Wallace is to go to China.

MR. PEHLE: In place of the goods?

H.M.JR: He is the goods!

MR. WHITE: When I spoke to Wallace about that, I said that he had better keep far away from that, that there is nothing he could do or suggest at this time which is going to bring about the necessary correction, that the time was not ripe.

H.M.JR: Listen, I gave him a note also, "For heaven's sake, sell Adler when he gets out there." But I swear, to have the President of the United States and the Acting Secretary of State and the Secretary of War know so little about China is just unbelievable to me.

Now, this General they sent over to inspect the field-- did he ever come back and tell us?

MR. WHITE: Clay?

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MR. BELL: No, no, no. I think he came back. We didn't see him.

H.M.JR: But I mean--

MR. WHITE: He isn't aware of the fact that there are two very separate problems, one the airfields, and the other the general economic situation in China.

MR. PEHLE: It isn't the President's fault if his Cabinet doesn't know the score.

MR. WHITE: Wait a minute. There was a memo that went from the Secretary to the President--

H.M.JR: Here is Stimson, who is two or three months behind.

When we got through, Ed Stettinius said, "Mr. President, I am not up on the Argentine; I haven't had time to catch up."

MR. WHITE: Hull, I gather, wasn't there.

H.M.JR: Anyway, that is my report. But please let me get something to Stettinius and the President, will you, Harry?

MR. WHITE: On what?

H.M.JR: On the rate. And I want Clay and what's-his-name to give me a report. They will say they do report. Let's hear about it.

MR. BELL: We haven't seen Clay for some time, have we, Harry?

MR. WHITE: We assumed the fields were going along all right. There is no problem.

H.M.JR: I told him we were over the hump, that the expenditures were about to cease, and the thing would resolve itself now in getting goods.

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MR. WHITE: We are over the hump as far as the air-fields are concerned.

H.M.JR: Excuse me. And they touched on the Swedish thing, and Stettinius said, "Everything is going wonderfully."

MRS. KLOTZ: May I go back to Mr. Pehle's matter? I don't quite understand--

MR. WHITE: The economic situation in China is deteriorating very rapidly.

H.M.JR: But that is not due to the monetary situation.

MR. WHITE: It is not due to anything we can help.

MRS. KLOTZ: That original memorandum that Mr. Pehle gave you--you gave it to the President?

H.M.JR: Yes.

MRS. KLOTZ: Now, you want another one?

H.M.JR: I want one for myself.

(The Secretary holds a telephone conversation with General Somervell, as follows:)

May 18, 1944
4:02 p.m.

General
Somervell: Somervell, sir.

HMJr: This is Morgenthau.

S: Yes, sir.

HMJr: Look, General, for you and General Clay only, I was very much disturbed at Cabinet today. The discussion came up in regard to China and the trip of the Vice President to China, and both the President and Mr. Stimson are not up to date on what the situation is at all.

S: That's right.

HMJr: And do you remember you had some very able General go over and inspect those fields and when he came back you said I could see him? You sent somebody there to look at those big fields. Hello?

S: Big fields?

HMJr: The big fields that you are building. Air fields. Hello?

S: Oh! Oh! Oh!

HMJr: This -- a couple -- about a month ago.

S: I thought -- yes -- I thought he'd know something about it, but he didn't.

HMJr: Well....

S: He didn't go over to inspect them. He just came back from having been on duty there.

HMJr: Oh.

S: That was it.

HMJr: Oh, I thought you sent somebody to inspect the fields.

S: No, Colonel Newcomer who had been over there and he hadn't actually seen them so he wasn't much use to us.

HMJr: No, I

- 2 -

S: I thought he was going to be.

HMJr: I meant -- No, I -- wasn't there some General that you sent over?

S: Oh, General Davidson was coming back but he died.

HMJr: Oh. Well, he won't help us.

S: No, he won't help us much.

HMJr: Well, look, General, can't between War and Treasury get us a memorandum for both Mr. Stimson and the President? Because they just are months behind time.

S: Why, of course.

HMJr: Yeah. I think it's really very important.

S: All right, sir. Well, suppose I start one off.

HMJr: Will you do that?

S: Yes, sir.

HMJr: And so the Pres....

S: Mr. Stimson told me to arrange to have our experts over here sit down and have a talk with Mr. Wallace before he left tomorrow....

HMJr: Oh.

S:to be sure to get him brought up to date.

HMJr: Did he do that since Cabinet?

S: Yes.

HMJr: I guess that's the result because nobody there seemed to know anything.

S: Well, he -- this happened ten minutes ago.

HMJr: Well, it's the same thing.

A: And so, I'm sending General Clay and General Carter and Mr. George Harrison, who are working on the thing for us over here, to see Mr. Wallace tomorrow. I called his office for an appointment. He hadn't got back there from the meeting.

HMJr: Is George Harrison of the Life Insurance Company in on this?

S: Yeah.

HMJr: That's something new, isn't it?

S: Yeah. He's been acting as a kind of an advisor for the Secretary on a number of problems and the Secretary has been requesting his advice on some fiscal problems more recently.

HMJr: I see. Well, anyway, I'd like to see a report go to the President and I'd like to have a copy of it if I could be consulted before he goes.

S: You mean the Vice President?

HMJr: No, I'm talking of Mr. Roosevelt.

S: Oh, yes, yes.

HMJr: Yeah.

S: Well, what I'll do on that, sir, is I'll start this memo out tout de suite.

HMJr: Right.

S: And we'll get it over to you some time Monday.

HMJr: Wonderful.

S: All right, sir.

HMJr: Thank you.

S: Thank you, sir.

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MR. PEHLE: Now you have brains working on it.

H.M.JR: O.K.

MAY 18 1944

Dear Miss Nelson:

I have for acknowledgment your letter of May 16, 1944, in which you indicate that labor relations within the Treasury Department are not as satisfactory as they might be and suggest that a conference with me would be conducive to better morale and efficiency in the Department.

It is my desire to promote in every way practicable the interests of Treasury employees, and it was because of my concern for their welfare that I recently added to my staff Mrs. Henry Grattan Doyle, who has had a great deal of experience in the field of employee relations. I should like for you to discuss with Mrs. Doyle the problems outlined in your letter and am confident that you will find her receptive to any suggestions that might improve Treasury personnel practices.

I am referring your letter to Mrs. Doyle with the suggestion that she call you and arrange for an appointment at any time convenient to you.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Miss Eleanor Nelson,
Secretary-Treasurer,
United Federal Workers of America,
1830 Eye Street, N. W.,
Washington 8, D. C.

CSB:cm
5-17-44

UNITED FEDERAL WORKERS OF AMERICA

AFFILIATED WITH CONGRESS OF INDUSTRIAL ORGANIZATIONS

1338 EYE STREET, NORTHWEST

WASHINGTON 5, D. C.

DISTRICT 3250-1



ALLAN S. HAYWOOD - ADMINISTRATOR

ELEANOR NELSON - SECRETARY-TREASURER

May 15, 1944

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

Dear Mr. Morgenthau:

On a previous occasion I wrote you in connection with the present status of labor relations within the Treasury Department. I am sorry to say that no significant improvement in the situation has taken place from that time to this.

We recognize, of course, that you have many responsibilities of a vital and urgent nature. Nevertheless, I sincerely believe that an hour of your time on this question will produce a measurable heightening of the morale and efficiency of the Department's employees.

To indicate the kind of problem involved, I am listing below a few of the current issues:

1. A fair and effective policy of promotions from the ranks, proposed by the Union and agreed to by the supervisor involved, was rejected by higher personnel authority.

2. In one Bureau, officials have refused to meet with a Union committee or to follow the regular grievance procedure of the Department. All problems arising in this Bureau must be handled directly by the Department's Director of Personnel.

3. In several Divisions employees have been intimidated because of union membership, and told by supervisors that they don't need a union. We can cite the specific circumstances, if necessary.

4. In another Bureau, officials refuse to discuss policies and procedures for promotions to supervisory positions. This policy was enunciated around discussion of the appointment of an outside person to the job of charwomen's supervisor, grade CPC-3, pay \$1500 a year, while employees with 30 years of experience were passed over.

For these same charwomen, working hours were reduced from 42 to 36 weekly and other part-time workers brought in - though the original group preferred longer hours of work. Bureau officials were not even willing to discuss the question.

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Mr. Henry Morgenthau, Jr.

2.

Again, a Union proposal to permit helpers with as much as 20 years of service to qualify for more skilled jobs was rejected, although so acute a shortage of trained men exists that draft deferments have been requested for all skilled workers in this category.

I do not want to give the impression that we are accusing all officials of the Department of bad personnel practices. There are many well-intentioned and effective supervisors at every level. However, the unsolved personnel problems are so serious that I feel a conference with you is essential.

Sincerely yours,

Eleanor Nelson

Eleanor Nelson

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE MAY 18 1944

TO Secretary Morgenthau
FROM Mr. Haas
Subject Annual Report of Federal Reserve Board for 1943

In its annual report for 1943 (calendar year), the Board of Governors of the Federal Reserve System makes some interesting and significant comments on current banking developments and post-war finance. The more important of these are quoted below.

Predicts Continued Low Interest Rates

"Long-term rates on Government bonds have become stabilized at their present level after a decline lasting for many years. The present situation raises the question of the probable trend of long-term interest rates after the war. Prospects are that conditions in the postwar period will favor the continuance of low long-term interest rates. Individuals and corporations will have an enormous volume of liquid assets accumulated in the period of high incomes and restricted opportunity for the purchase of goods. In addition, so long as the national income remains high there will be a large amount of current savings available for investment. The situation will differ radically from that after the last war, when liquid accumulations of businesses and individuals were far smaller than now. Also, banks were then borrowing heavily, whereas now they are practically free from debt.

"Public policy with regard to long-term interest rates should be part of a program to achieve continuous full utilization of the country's material and human resources. It should be formed with reference to the fact that after the war this country will be the greatest creditor nation in the world and that in creditor countries, according to past experience, the interest rate on long-term capital is likely to be low.

Secretary Morgenthau - 2

"Over the years a low cost of money to borrowers on long-term should tend to promote increased employment by encouraging capital outlays in both old and new enterprises. It would facilitate the task of refunding the public debt and safeguard the value of Government security holdings of the millions of individuals, educational institutions, trusts, banks, insurance companies, and other investors, who have placed tens of billions of dollars in Government bonds to help finance the war."

Advocates Post-war Policies Aimed at Full Employment

"After the war this country, on the basis of its resources and the war-stimulated expansion of its industrial capacity, will have an opportunity to enter upon an era of high and rising national income and sustained prosperity for all its people. To achieve this objective the country must avoid the danger of inflation, with its aftermath of economic collapse. Aside from maintaining wartime regulations during the transition period, nothing would contribute more to this end than rapid conversion of our industrial plant to assure a prompt resumption of the flow of goods to civilians, and planned re-direction into other occupations of manpower released from war activities.

"Adequate financial machinery, both for equity investment and credit of all types, to meet the capital and current financial requirements of reconversion, and the maintenance of stable and relatively low long-term interest rates to encourage enterprise, should form a vital part of a postwar program. Long-term policy in regard to governmental investment in public works and the volume of tax levies should be flexible, with outlays increasing and taxes declining when business activity shows signs of slackening, and taxes rising and public works slowing down when consumer and capital demands begin to press against productive capacity. Sustained prosperity in this country would result in an upswing of international trade and would contribute greatly to world reconstruction from the ravages of war and to general improvement of economic conditions throughout the world.

Secretary Morgenthau - 3

"Economic, fiscal, and monetary policy, private and public, during and after the war, must seek to prevent the surplus income and surplus cash created by the war from resulting in inflation. In the critical postwar period ways must be found to promote full employment and stable prosperity by utilizing the people's abundant liquid resources and the expanded productive capacity of the country."

Urges Retention of Direct Controls and Adequate
Taxation During Remainder of War, and
in Reconversion Period

"To assure a successful transition to a peacetime economy, it is thus most essential that price, wage, and rationing controls be maintained intact during the remainder of the war and be supported by adequate tax measures. Failure to do so will leave the economy with insufficient controls in the immediate postwar period, when public opinion may be expected to be less responsive to the adoption of new restrictive measures and the continuance of old ones. Maintaining orderly inflation controls during the war appears to be the first condition for a transition to a peacetime economy which will avoid maladjustments and assure the maintenance of a high level of income and employment.

* * * * *

"An important consideration at this time is that, while monetary policy can not by itself prevent inflation, inflationary conditions are certain to result in heavy upward pressure on money rates. When the buying power of money is declining holders of money prefer to exchange it for commodities, equities, or real estate, rather than to invest it at a fixed rate of return, and others are willing to pay high rates for money to be used in speculation and speculative ventures. Consequently, money rates are always extremely high during an inflation. This is an additional reason why, in view of the enormous growth of our public debt, it will be vitally important to keep direct controls in effect after the war is ended, and thus to hold the line on economic stability. These controls can not be abandoned with safety until the flow of civilian goods from

Secretary Morgenthau - 4

the reconverted industrial plant will be sufficient to meet the deferred and current demand of the people backed by their unprecedented holdings of cash and liquid assets."

Says Monetary Policy Alone Cannot Control Inflation

"In the past quarter century it has been demonstrated that policies regulating the quantity and cost of money can not by themselves produce economic stability, or even exert a powerful influence in that direction. The country has gone through boom conditions at times when monetary restraints were being exerted and interest rates were extremely high, and it has continued in depression at times when an active policy of monetary ease was in effect and money was both abundant and cheap. Economic stability depends on a complex of forces and policies, of which credit policy is only one. In order to be effective in bringing about stability the regulation of the availability and cost of money must be integrated with a flexible fiscal policy and at critical times reinforced by direct controls over prices, wages, and supplies."

Foresees No Immediate Reduction in Deposit Volume

"The large expansion of bank deposits and currency in recent years raises the question as to what changes are likely to occur after the war in the volume and distribution of deposits and what effect such changes may have on the position of banks."

"Decline in the volume of deposits in all commercial banks taken as a whole can be caused by withdrawals of currency or by an outflow of gold from the country, or it may reflect a reduction in the banks' loans and investments. Only the last of these causes is likely to occasion a substantial decline in deposits in the post-war period. The volume of currency in circulation now is so large that it is much more likely to decline after the war (and thus increase deposits) than to expand further (and thus reduce deposits). Neither is there any likelihood of a gold outflow of sufficient volume to be of consequence in relation to the total volume of deposits."

Secretary Morgenthau - 5

"Since about two-thirds of the earning assets of banks at present consist of United States Government securities, any substantial reduction in bank credit would necessarily mean a decrease in the banks' holdings of these securities. Such a decrease might be the result of a rapid contraction of the Government debt or of the sale to nonbank purchasers of Government securities now held by banks. In case of either of these developments bank deposits would decline, but their decrease would release required reserves which would be available to serve as a basis of an expansion in loans and investments (and thus in deposits) equal to the previous contraction.

"When the present situation is compared with that prevailing after the last war or in the 1930's, the outstanding difference is that since the banks' portfolios now consist in large part of United States Government securities, the banks are not likely to be under pressure to liquidate assets, as they were in the earlier periods. At those times the expansion in deposits had been due in large part to increases in bank loans during periods of rising values. In the period preceding 1920, much of the increase was in loans on commodities based on rising commodity prices, while in the years ending in 1919 the expansion was in security loans based on rising stock prices. In both cases a collapse in values resulted in a weakening of the quality of bank assets, with consequent urgent pressure by the banks to liquidate loans. After the present war there is no prospect of a substantial contraction of deposits from this cause."

Says Bank Investment in Short Issues Promotes
Market Stability

"The flexibility of the banking system and of many individual banks in meeting declines in deposits has been enhanced by the practice of adjusting the maturities in security portfolios to the character of deposits. In general, a large proportion of bank holdings of Government securities is in short maturities which are not subject to wide fluctuations in price. In case large and abrupt interbank movements of deposits should result in temporary disturbances, the Federal Reserve authorities would be in a position to take measures, in accordance with their well-established policy, to restore stability to the money market."

May 18, 1944

My dear General Marshall:

As you know, we are launching the Fifth War Loan Drive, for \$16,000,000,000, on June 12. The major part of the opening ceremonies will consist of a national broadcast originating in Texarkana, Texas. On this broadcast, we will try to restate some of the principles for which we are fighting the war, and to help make the people ready for the casualties which will arise out of the invasion.

May I invite you to participate in this radio program?

Your part of the broadcast would occupy three to five minutes. It could be picked up at any place where you might happen to be, between 9:00 and 10:00 P. M. on June 12.

I hope you can see your way clear to give our Bond Drive the added impetus of your participation with me on the broadcast.

Yours sincerely,

(Signed) H. Mergenthau, Jr.

General George C. Marshall
Chief of Staff
Room 3E921
Pentagon Building
Arlington, Virginia

FS:vem

TO:

Secretary Morgenthau 50

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Here is Wright Patman's
advertisement for Texarkana.

F.S.

(FS)

Fred Smith
Room 2904

Congressman Wright Patman
Texas

ARE WE READY?

One of these mornings, we will open our newspaper, or turn on our radio, and find that the greatest invasion in the history of the world is underway. Hundreds of thousands of men — our sons, our husbands, our fathers — will be converging on Berlin from all directions.

That will be the crisis of this war on the Home Front. What will happen here when that news comes at last?

Will we close our papers, turn off our radio, and say to ourselves: "Well, the Nazis asked for it and they're going to get it! This ought to teach them a lesson they'll never forget."

Some of us, no doubt, will think about it all day long, and will think of nothing else.

But many of us may just go to the office and forget the whole business. After all, we can't hear the shooting. We can't see the blood. The cries and the groans of the wounded and dying will be lost to our ears in the vast distances, the lands and the seas, that lie between us and the scene of this cataclysm. Many of us may have an inclination to be complacent, even while the casualty lists are mounting. Why? Because a great many Americans — too many Americans — have convinced themselves that it is all over. "Just a matter of time," they are saying to themselves.

Mr. Speaker, perhaps the time has come to shake the Nation up a little. This coming invasion, and the winning of the war, has come to look too easy.

We lift rationing on meats, so the optimists conclude that war restrictions are no longer necessary. The Army and the Navy cut back on orders for certain equipment that we no longer need, and the optimists say the need for war materials is sluffing off — in the face of the fact that war production actually is stepping up and we will spend more money this year than last. The newspapers carry story after story about the vast organization that is going into the proposed invasion, so the optimists stick their thumbs in their vests and say, "we can't be beaten."

Right here and now I'd like to call the optimists' attention to a few somber facts.

What precedent do we have, you optimists, that would indicate that the invasion will be a push-over? Do you remember the invasion of Italy? Do you remember how we landed in the south of Italy and pushed north until we reached the hills and the mud, and then stopped? Stopped dead in our tracks!

And before that, when we invaded Sicily; do you remember the huge loss of life that invasion entailed, and do you remember that we lost more than half of some of our important equipment?

Sure, I know the invasion will succeed too, just as we succeeded in Sicily, and just as we will succeed in Italy — but we can't wash up the project in a week. We won't do it without huge losses of life. We won't do it without requiring more sacrifices than ever before from the American people. We won't do it without shooting up and wearing out more war equipment than the gods of war have ever seen in action before.

And all the equipment that we will be shooting up and wearing out will have to be replaced. Every newspaper in the country ought to put banner headlines on their front pages calling attention to that sordid fact. It is needed — needed today, needed badly, because war production is not what it ought to be. In some cases, management gets more concerned with postwar than with war production and lets the war jobs drift. In a huge number of cases, war workers who migrated away from home during the early part of the war are now on their way back. Ten percent of our entire population migrated since the war began, and now it looks as though that ten percent is going back home, leaving machines idle, leaving war plants starving and crying for men. The reason is obvious. These war workers

- 2 -

feel that the war is over, and they want to get home and settle down comfortably in familiar surroundings, and be there when the peace comes. Well, the homing instinct is a commendable American institution, but this is no time for it.

Down in the Gulf States, we are going to have a Civilian's D-Day. I think we need a reaffirmation of our intentions in this war. It is time to restate the principles — what it is all about.

Our D-Day is going to be June 12, the day the Fifth War Loan opens. The Governors of our five Gulf Southwestern ~~States~~ are coming to Texarkana, and on that day the millions of people who live down in our country are going to strip for action. They're going to be ready, they're going to let it be known to the rest of the country and to the men overseas, that they're sticking tight to their jobs, that they're keeping the faith until our men walk, victorious, into Berlin. Then it will be time enough to figure out what to do next.

On June 12, we are going to have a world-wide broadcast, originating from the Gulf Southwest's D-Day Headquarters at Texarkana. Secretary Morgenthau and leaders of our Invasion will join with our own people in one of the most significant radio programs since the war began.

I sincerely hope that other parts of the country will stand by to take part in the Civilian's D-Day that we have planned.

May 18, 1944

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May 18, 1944.

My dear Colonel Gow:

Thank you for your letter of May 15, which gives me the information about the captured equipment exhibit which will be opened on May 22.

I am very glad to have the facts that you give me, and I have referred your letter to others in the Treasury for their information in connection with the coming War Bond Drive.

Sincerely,

(Signed) H. Morgenthau, Jr.

Colonel Ralph F. Gow, G.S.C.,
Chief, Industrial Services Division,
Bureau of Public Relations,
War Department,
Washington, D. C.

WAR DEPARTMENT
BUREAU OF PUBLIC RELATIONS
WASHINGTON

15 May 1944

*photostats to
Mr. Gamble
Mr. Smith
5/18/44*

Honorable Henry Morganthau
Secretary of Treasury
Washington, D.C.

Dear Mr. Morganthau:

In your office the other day you asked that I inform you of any events being staged by the Industrial Services Division which might be useful to the Treasury in the War Bond Drive.

We are opening on May 22, a captured equipment exhibit for Army Service Forces on the old polo grounds. This is a complete exhibit with a great deal of action and dramatization. It compares American, German and Japanese equipment.

General Somervell has informed me he will be glad to have the Treasury take advantage of this show in any way that you care to.

Sincerely yours,



RALPH F. COW
Colonel, G.S.C.
Chief, Industrial Services Division



MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Surrey *or*
SUBJECT: Committee on Federal Estate and Gift Taxes
(For your information - No Action Required)

May 18, 1944

The Treasury Department in August 1943 appointed an Advisory Committee on Federal Estate and Gift Taxes consisting of five practicing attorneys. This Committee has been meeting regularly about once a month with the Treasury on the general question of a complete revision of the existing estate and gift tax structure. Very satisfactory progress has been made in this direction and before the end of the year we should have ready a completed proposal.

The Committee is also working with the Treasury in an attempt to eliminate some of the confusion that now exists in the taxation of family trusts under the income tax. Here also progress is being made and it is expected that a proposal will soon be worked out which will be submitted to the Commissioner of Internal Revenue as a suggested administrative solution to the present difficulties.



TREASURY DEPARTMENT

WASHINGTON

May 18, 1944

MEMORANDUM TO THE SECRETARY:

Arranged to have Mr. Russell Duncan join our organization to head up our Hardware Division. Mr. Duncan is highly respected in the hardware trade and has had an experience which should be invaluable to us. He will join us in about two weeks.

A handwritten signature in cursive script, reading "E. L. Olrich", is written over the typed name.

E. L. Olrich
Assistant to the Secretary



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25

May 18, 1944



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AM

SECRET

MEMORANDUM TO THE SECRETARY

Among some of the recent requisitions received from the U.S.S.R., are the following items which may be of interest:-

Telephones, telegraph and carrier current equipment - \$3,000,000.00 ✓

Floating cranes for harbor installations - \$4,000,000.00 ✓

8,000 tons of corrugated and plain galvanized steel sheeting. This amount of sheeting would enclose an area somewhat in excess of 12,000,000 square feet. ✓

Requisitions covering steel requirements for the third and fourth quarter of 1944 are now being received. ✓

Clifton E. Mack
Clifton E. Mack
Director of Procurement

May 18, 1944

MEMORANDUM FOR THE SECRETARY:For your information

On May 4, 1944, General Eisenhower cabled indicating that he had undertaken preliminary discussions with the French Military Mission. He strongly urged the adoption of the following program to meet the financial problems involved in administering continental France:

(1) Permit the French authorities

- (a) to organize and provide necessary financial services and facilities;
- (b) to operate the economic and fiscal system;
- (c) to make necessary advances to public authorities and to banking systems; and
- (d) to use our supplemental francs in order to carry out the above functions.

(2) Have the French Committee of National Liberation issue the primary decree declaring the supplemental francs legal tender.

(3) Subject all of the foregoing to the "overriding power for emergency action by Allied Commanders in absence of or failure of French authorities."

The General stated that these arrangements would achieve the essential purpose of putting the French authorities in a position adequately to carry out the financial functions of civil administration and would have the important advantage of having a "uniform authority" from the commencement of the operation.

A tentative answer was drawn and submitted to the Combined Chiefs of Staff for clearance and forwarding to the President. This proposed answer states that the program set forth by General Eisenhower is approved in principle. However, two significant reservations are made:

(1) That the arrangement that the General makes with any group must be considered tentative and must

- 2 -

not preclude consultation with and assistance from the other elements of the French people with whom he may feel it necessary to deal while his forces are in France;

(2) That the decree proclaiming supplemental French franc currency legal tender will be issued by General Eisenhower and not by the French authorities. However, in the discretion of General Eisenhower French groups could make supporting announcements that the supplemental French franc currency should be deemed legal tender.

In the light of the cable received from General Eisenhower and the proposed reply, the French Financial Directive was tentatively redrafted to permit General Eisenhower, within the limitations of political instructions regarding France, to make the fullest possible use of the advice and assistance of French groups or representatives acceptable to him. Subject to overriding military necessity his actions in financial matters should thus be coordinated with the plans of such French groups or representatives.

ADW

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 18, 1944

TO Secretary Morgenthau

FROM Mr. White *HDW*Subject: Taxation of War Profits and Confiscation of Collaborationist Wealth by the French Committee

The French Committee plans to adopt in Corsica and France a program designed to absorb the excess purchasing power created during the war period by placing a general progressive tax on increases in wealth, and to punish those guilty of trafficking with the enemy during the German occupation by confiscating their profits.

This program represents a development of the program which was worked out with the French by United States Treasury representatives and later put into effect in Tunisia. The principle of the general progressive tax on increases of wealth was accepted reluctantly by the French, but was finally incorporated in the Tunisian program. The whole program was later announced with some pride as the Committee's anti-collaborationist and deflationary program for Corsica and later for France. The two draft decrees submitted to you by M. Mendes-France contain this program as adopted for Corsica which will provide a basis for the program for France.

The first draft decree is designed to siphon off excess increases of wealth realized between the dates of January 1, 1940, and January 1, 1944. This is accomplished by a progressive tax levied on excess increases of wealth disclosed by declarations required to be filed by all real and juridical persons in the area.

To supplement the first measure, the second draft decree creates a Commission to investigate and further punish collaborationists and others who are unjustly enriched from actively trading with the enemy and from violating price and rationing controls and other regulations of an economic nature at the expense of their countrymen. After investigating the activities of a suspect, the Commission determines the extent of any special gains made during the war period and orders the confiscation of such gains. In addition to such confiscation, the Commission is empowered to impose fines upon a suspect where it is ascertained that the suspect has violated any of the laws and regulations specified in the decree.

- 2 -

The program established by these decrees is complementary to the anti-inflationary measures which the French wish to take in France. These include the blocking of all bank balances and the exchanging of new currency for the currencies outstanding in France. The French state that it is primarily for this purpose that it is necessary to have an available supply of a new distinctive currency.

5-16-44
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○ Dr. White:

The Secretary asks that you
please brief these documents for him.
Thanks.

N.M. Chauncey

Treasury Department
Division of Monetary Research

63

D

Date May 15, 1944 19

To: Mrs. McHugh

These are copies of the decree relating to the confiscation of illegal increases of wealth in Corsica to which M. Mendes-France referred.

H.D.W.

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

D

DRAFT OF DECREE
CREATING A SPECIAL TAX ON
THE INCREASE OF WEALTH
IN CORSICA
SINCE
JANUARY 1, 1940

THE FRENCH COMMITTEE OF NATIONAL LIBERATION acting on the
REPORT OF THE COMMISSARIAT FOR FINANCE, and by virtue of the
DECREE DATED JUNE 5, 1943 creating the French Committee of National Liberation, and
with the agreement of the ~~JLEGAL~~ COMMITTEE

DECREES:

ARTICLE I

The establishment of a special tax on the increase of wealth in
Corsica by persons residing or having resided in Corsica between January 1, 1940
and January 1, 1944.

ARTICLE II

Are subject to the special tax on increase of wealth:

- a) corporate bodies or individuals having resided or established their main
office in Corsica between January 1, 1940 and January 1, 1944;
- b) companies or enterprises located in Corsica, owned on January 1, 1944, or
having been owned between January 1, 1940 and January 1, 1944 by corporate
bodies or individuals who do not come under the above paragraph.

HEADING I - TAXABLE INCREASE OF WEALTH

ARTICLE III

The increase in wealth which was taken as a basis in the establishment
of the tax is that which occurred in Corsica between January 1, 1940 and
January 1, 1944.

When corporate bodies or individuals, enterprises or companies become taxable or are no longer taxable in accordance with the terms of Article II between January 1, 1940 and January 1, 1944, the dates to be taken into consideration when establishing the increase of wealth are those upon which the said corporate bodies, or individuals, enterprises or companies became or ceased to be taxable.

These dates are substituted to January 1, 1940 and January 1, 1944 respectively for the enforcement of the terms of this Decree.

ARTICLE IV.

A subsequent Decree will determine under what conditions the increase in values of personal property and real estate shall be taxed, when the property concerned has remained under the same ownership. Therefore, under the provisions of this Decree, is not considered as taxable increase of wealth the increase in value of assets which have been acquired but not realized, and in particular a simple increase of value, occurring between the dates taken as a basis for the computation of increase in wealth of the property which has belonged to the same person during this entire period, provided that this increase in value is not caused by expenses incurred by improvements and construction.

The Decrease in value of this property during this period cannot be deducted from the taxable increase in wealth. However, when this depreciation is the result of damage due to war hazards, the deduction is accepted provisionally; the taxation thus reduced shall be subject to revision if the debtor subsequently receives compensation by virtue of the legislation on war damage.

ARTICLE V.

When property existing of January 1, 1940 has been transferred by the debtor against payment prior to January 1, 1944, the sums obtained in exchange replace the transferred property in his estate. If these sums have been used to purchase additional property, the value of this property on January 1, 1944 will be taken

into account. If its use cannot be justified, it will of necessity be included in the property as existing on January 1, 1944.

Moreover, if property existing on January 1, 1940 has been partially or totally destroyed through disasters, the eventual debts owed by an insurance company or the compensation paid by said company, as well as all compensating indemnities, replace the destroyed property or are included in it.

In order to settle this tax, the property which has benefited from a donation subsequent to January 1, 1940, may, at the discretion of the donor:

- either be reinstated into the assets of the donor on January 1, 1944 (and therefore not appear in the estate of the donee on this date)
- or be added to the assets of the donee on January 1, 1940 (and therefore be deducted from the estate of the donor).

The donor who does not formally choose one of the above alternatives at the time of the declaration provided for in ARTICLE VIII, ^{considered} is to have chosen the first solution.

~~When~~ The first alternative shall be put into effect immediately if it has been established that the donation was made in order to conceal an increase in wealth.

ARTICLE VI.

When assets, or monies derived thereof, have been transferred out of Corsica subsequent to January 1, 1940, they shall however be included in the declaration of property in existence on January 1, 1944.

ARTICLE VII.

In order to compute the taxable increase in wealth, the total amount of possessions on January 1, 1944 shall be reduced to an amount not exceeding the duly justified amount of property inherited through death since January 1, 1940.

The debts which were to be paid off before January 1, 1940 or before January 1, 1944 are deducted respectively from the amount of assets on each of these dates.

In the case of business debts, the individual or the company concerned may be requested to submit all books under penalty of disallowance.

The sums paid out under life insurance contracts or through capitalization shall not be included in the total amount of taxable increase of wealth.

On the other hand, the premiums paid out in accordance with the above-considered conventions between January 1, 1940 and January 1, 1944 shall be restored to the inheritance of the insured on this latter date.

HEADING II - STATEMENTS

ARTICLE VIII

The tax is levied upon the statements submitted.

Any corporate body or individual, entreprise or company referred to in ARTICLE II which have undergone a taxable increase of wealth as defined under ARTICLES III to VII of this Decree, shall be obliged to submit a statement.

Any corporate body or individual, entreprise or company, referred to in ARTICLE II shall be obliged to submit a statement whatever the circumstances, even if said corporate body or individual, entreprise or company does not hold itself taxable: -

When the total of the amounts appearing on the credit of the party or parties concerned in bank accounts, postal savings, investments in enterprises or monies entrusted to a legal adviser exceeded 50,000 francs on October 30, 1943,

Or when the amount of Banque de France notes deposited in accordance with the Decree dated October 2, 1943 exceeded 50,000 francs,

Or when the amount of stocks, bonds or shares, which were deposited or stamped in accordance with the Decree dated October 2, 1943 exceeded 50,000 francs,

Or when said corporate body or individual, enterprise or company acquired, subsequent to January 1, 1940, real estate of a total value in excess of 25,000 francs.

ARTICLE IX.

Persons covered by ARTICLE VIII above shall be obliged to submit a double statement of the amount of their assets in Corsica on January 1, 1940 and on January 1, 1944.

This statement shall cover all personal and real estate owned in Corsica, and in accordance with ARTICLE VI of this Decree, property transferred out of Corsica subsequent to January 1, 1940; it shall list separately and for each of the above two dates the gross figures of assets and their value as well as all deductible debts.

ARTICLE X.

In order to compute the taxable increase of wealth, the statement shall include for January 1, 1940 and January 1, 1944 the property owned on each of these dates by the wife and minor children of the person concerned, subject to the case of separate maintenance of the wife (provided that the separate maintenance occurred before June 1, 1940) in which case the wife shall submit a separate statement.

ARTICLE XI.

The value of movables shall not be estimated on January 1, 1940 as a percentage of the total amount of wealth greater than that on January 1, 1944.

The amount of these assets in currency on January 1, 1940 shall not exceed 5% of the wealth on that date without however exceeding 50,000 francs. However, when this 5 % percentage represents less than 10,000 francs, the amount of assets in currency can be estimated at that figure.

The person or corporation making the statement shall furnish proof that the application of the coefficients established in this Article would lead to erroneous estimations to the disadvantage of said person or corporation.

ARTICLE XII.

The statements shall be filed at the Office of Direct Taxation in the place of residence or ~~head~~ office prior to the date of expiration.

However, when the person or corporation benefiting from a taxable increase

of wealth is in the ^{ins}possibility of communicating with the Direct Taxation^s Comptroller authorized to receive the statement and has no representative in Corsica empowered to act as his or its agent in the filing of said statement, the above mentioned person or corporation shall be granted an additional two months period in order to file the statement, a period starting from the date of resumption of communications between Corsica and the residence of the person or corporation concerned.

ARTICLE XIII.

In case of death of the taxpayer occurring subsequent to January 1, 1944, the statement shall be drawn up by his heirs or rightful claimants. The same holds good for deaths occurring prior to January 1, 1944 if the estate has not yet been settled nor the property of the deceased been distributed by this date.

In case of absence or hindrance, a provisional statement shall be drawn up by the representative of the absent or hindered taxpayer or by the person entrusted, legally or amicably, with the total or partial administration of his estate.

HEADING III - EXAMINATION OF STATEMENTS AND OF ARBITRARY TAXATION

ARTICLE XIV

The officials of the Office of Direct Taxation^s shall examine the statements.

They are empowered to request from the taxpayer verbally or in writing all further details or justifications concerning his statement or his financial status.

They shall grant to the taxpayer for his reply a period of time which shall not exceed twenty days nor be less than six days.

ARTICLE XV.

The Administration is authorized to establish through serious, precise and conclusive presumptions, the existence of taxable increase of wealth. It can take into account the statements drawn up by the parties concerned since September 3, 1939 for the establishment of levying of taxes; it can further take into account requests for assistance or for the postponement of taxation, acquisition of property made

by the parties concerned or expenses made by them since January 1, 1940^{all} on their real estate since this date and which resulted in an increase of this property, insurance policies as well as/other factors which might lead to the establishment of the existence and amount of taxable increase of wealth.

ARTICLE XVI.

Are subject to arbitrary taxation:

- Any taxpayer who has benefited from an increase of wealth and has not filed a statement;
- Any taxpayer who has not replied to requests for further information or justification;
- Any taxpayer who has submitted an incorrect statement on the nature or the value of the property owned by him on January 1, 1940 or on January 1, 1944 provided the error results in a decrease not exceeding 10% of the total increase of wealth;
- Any person who, bound by this Decree to submit a statement for a deceased taxpayer, is covered by the cases defined in the above paragraphs.

HEADING IV - RATE

ARTICLE XVII.

The amount of the tax is attained through the application of a progressive rate on the amount of the increase of wealth and possibly through an addition computed in terms of the percentage of this increase of wealth in relation to the initial wealth.

ARTICLE XVIII.

The rate shall be established as follows:

- on the fraction of increase of wealth lower than 50,000 francs	0
- on the fraction of increase of wealth between 50,000 and 100,000 francs	4%
- on the fraction of increase of wealth between 100,000 and 200,000 francs	10%
- on the fraction of increase of wealth between 200,000 and 500,000 francs	20%
- on the fraction of increase of wealth between 500,000 and 1,000,000 francs	30%
- on the fraction of increase of wealth between 1 and 2 million francs	40%
- on the fraction of increase of wealth between 2 and 3 million francs	50%

- on the fraction of increase of wealth between 3 and 4 million francs 60%
- on the fraction of increase of wealth over 4 million francs 70%

ARTICLE 19.

The additional amount equals 15% of that fraction of increase of wealth exceeding 50% of the initial wealth on January 1, 1940; however, the exempted fraction of this additional amount shall not be lower than 25,000 francs.

ARTICLE 20.

The amount of the tax shall be increased by 20% for the taxpayer who is over 30 years of age on January 1, 1944, who is a bachelor, a widower, or divorced without children; war widows who have not remarried are exempt from this increase.

The amount of the tax shall be increased by 10% for the taxpayer who has been married for more than two years on January 1, 1944 and has no children.

ARTICLE 21.

The amount of the tax shall be further increased;

by 10 % for the taxpayer who has submitted his statement after the period of time

established in ARTICLE X of this Degree;

by 25 % for the taxpayer arbitrarily assessed.

However, the Commissaire for Finance is empowered to grant as a favor the total or partial cancellation of the increased undergone under the terms of this Article.

HEADING V - COLLECTION

ARTICLE 22.

The tax shall be listed for collection on the books of the direct accountants of the Treasury. The taxpayer shall be informed of this fact by registered letter with notice of delivery.

The tax is claimable under the conditions defined in ARTICLE XXIV below notwithstanding opposition.

However, the debtor who, following an appeal as provided for by ARTICLE XXVI below, has obtained from the Commissaire for Finance an adjustment of the amount

of his tax, is eligible for immediate reimbursement of the amounts unduly assessed.

ARTICLE XXIII.

The collection of the tax and its increases can be obtained by legal suit against the debtor, his representatives and his rightful claimants. He is insured in accordance with the terms and sanctions defined in CHAPTERS II to IV, HEADING IV, BOOK III of the General Code on Direct Taxation.

However, apart from the general privilege established by ARTICLE 399 of the Code, the Treasury shall hold as guarantee of payment of taxes and fines established in the application of this Decree, a general mortgage on all landed property, commercial enterprises, vessels of more than 20 tons and aircraft belonging to the debtors.

This mortgage shall take effect on the date of its registration which shall be made at the discretion of the direct Accountant of the Treasury concerned, and shall only call for production of copy of the letter giving notice of collection of the tax under the conditions defined in ARTICLES I, II, III, IV, V, X, and XX of the Law dated August 10, 1922 and in ARTICLE XV of the Law dated May 15, 1925.

Besides this general mortgage, the Treasury ~~benefits~~ shall hold special privileges over funds and securities deposited in banks.

ARTICLE XXIV.

The debtor shall be allowed to pay his tax in three parts over a period of five months; the first third being payable at the end of forty-five days, and the remaining two thirds at the end of the third and fifth months respectively following notification.

However, the amount of the tax will be reduced by 5% if paid in full during the forty-five day period. If the total payment is made within two months following notification, the amount of the tax shall be reduced by 2 %.

The non-payment of the third due shall result in an increase of the tax by 1/2% (one half percent) per month of delay, each fraction of a month being considered as a whole month. If this delay exceeds three months, the rate of increases

shall double as of the fourth month.

Non-payment can result in imprisonment for debt. The term of the sentence shall be set in accordance with the existing scale in effect depending on the unpaid amounts by virtue of this Decree, by the Court of first instance of the place of residence of the debtor.

ARTICLE XXV.

When the debtor is a joint-stock company, and when said debtor has not remitted its tax at the end of five months, the Treasury may compel it to increase its capital and hand over shares as payment of the tax. An order from the Commissariat for Finance shall establish the rate of evaluation of these shares.

If the debtor has not remitted his tax by the end of the five months and if the Treasury has guaranteed his debt by a mortgage, he will be free to sell the security. In this case, he will be able to use the expropriation procedure for public purposes and turn over the property to a company or to a real estate office at low rate or to a corporation or public establishment for general public use.

HEADING VI - MEANS OF APPEAL

ARTICLE XXVI.

During the month starting from the day of notification of collection of the tax, the debtor may prepare an appeal to be brought before a Commission which holds its sessions at the Commissariat for Finance. The constitution and the functioning of this Commission will be established subsequently by decree of the Commissaire for Finance.

The Commission is empowered to hear all testimony which might contain further information. The debtors whose increase of wealth is being examined, shall, if they so desire, be assisted or represented before the Commission by a lawyer registered at the bar, an attorney, or a chartered accountant.

The decision of the Commission may confirm the tax being appealed or adjust it, either to the advantage or to the disadvantage of the debtor. Its decision is without

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appeal.

HEADING VII - VARIOUS MEASURES

ARTICLE XXVII.

Business transactions concluded through contracts or legal acts of any type whatsoever, and concealing an increase of wealth by the selling out or transfer of property, directly or through an intermediary, are not demurrable to the Administration which holds the right of reestablishing the true character of the transaction and of imposing arbitrary taxation.

ARTICLE XXVII.

The inspection officers hold very extensive investigatory powers, as defined by the fiscal decrees in effect.

Any refusal to reply is noted by administrative record of the evidence. The person making the refusal is liable to a one hundred francs fine per day of delay insofar as a private individual is concerned; this fine shall remain in effect until a new record of evidence establishes that a reply has been received.

If the refusal to communicate originates from an administration or public organization, the Chief of the department concerned is liable to administrative sanctions on request by the Direct Taxation Director of the "Departement" to his hierarchical superior.

ARTICLE XXVIII.

If on October 29, 1943 persons covered by ARTICLE II of this Decree possessed assets deposited in a bank exceeding 20,000 francs, the excess of the account over this figure shall be frozen until further notice in the depository establishments or organizations, up to 75 % of the amount.

Access to the frozen amount can only be obtained through authorization by the Paymaster General.

ARTICLE XXIX.

In exceptional cases, and if the debtor can prove that he is incapable of

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paying the tax immediately without suffering serious loss, said debtor may obtain additional time for payment of the debt upon decision of the Commissaire for Finance.

During the investigation of this request, the Direct Taxation Director of the "Departement" may authorize the taxpayer to suspend payment of all or part of the amount payable.

ARTICLE XXX.

From the day of notification of the collection of the tax, the Direct Taxation Director of the "departement" can order all necessary measures to be taken to safeguard the estate of the debtor. In particular, he may forbid all holders of funds or credits, movables and real estate property belonging to the debtor to relinquish them to anyone without his authorization.

ARTICLE XXXI.

The deeds and documents drawn up for the procedure established in this Decree are exempt from stamp and registration duty.

ARTICLE XXXII.

This Decree will be published in the Official Journal of the French Republic and shall hold force of law.

PROJET D'ORDONNANCE

portant creation d'une taxe exceptionnelle sur les
accroissements de fortunes realises en Corse depuis le
1er janvier 1940

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Le Comite Francais de la Liberation Nationale

sur le rapport du Commissaire aux Finances

VU l'ordonnance du 5 juin 1943 portant institution du Comite Francais de la
Liberation Nationale,

Le Comite Juridique entendu

ORDONNE:

ARTICLE 1er

Il est institue une taxe exceptionnelle sur les accroissements de fortune
realises en Corse par des personnes resident ou ayant reside en Corse entre le 1er
janvier 1940 et le 1er janvier 1944.

ARTICLE 2

Sont soumises a la taxe exceptionnelle sur les accroissements de fortune:

- a) les personnes physiques ou morales ayant au 1er janvier 1944 ou ayant eu
entre le 1er janvier 1940 et le 1er janvier 1944 une residence ou leur siege social
en Corse;
- b) les exploitations ou entreprises situees en Corse, appartenant au 1er jan-
vier 1944 ou ayant appartenu entre le 1er janvier 1940 et le 1er janvier 1944 a des
personnes physiques ou morales non visees a l'alinéa precedent.

TITRE I - Des accroissements de fortunes immobilières

ARTICLE 3

L'enrichissement qui sert de base au calcul de la taxe est celui qui a ete
realise en Corse entre le 1er janvier 1940 et le 1er janvier 1944.

Lorsque des personnes physiques ou morales, des entreprises ou exploitations
sont devenues impossibles ou ont cesse de l'etre aux termes de l'article 2, entre
le 1er janvier 1940 et le 1er janvier 1944, les dates a retenir pour le calcul de
l'enrichissement sont celles a partir desquelles elles sont devenues impossibles ou
ont cesse de l'etre. Ces dates sont subituees respectivement au 1er janvier 1940
et 1er janvier 1944 pour l'application des dispositions de la presente ordonnance.-/.

ARTICLE 4

Une ordonnance ultérieure determinera dans quelles conditions seront taxes
les plus values mobilières et immobilières, lorsque les biens qui en sont l'objet
sont restes dans les memes mains. En consequence n'est pas considerée comme enri-
chissement taxable au titre de la presente ordonnance la plus value de fortune ac-
quise mais non realisée et notamment/simple augmentation de valeur, entre des dates
servant de base au calcul de l'enrichissement, des biens qui n'ont pas cesse pendant
cette periode, d'appartenir a la meme personne, dans la mesure ou cette augmentation
de valeur n'est pas due a des dépenses d'amélioration ou de construction.

La distinction de valeur de ces biens au cours de cette période ne peut venir en déduction de l'enrichissement taxable. Toutefois, lorsque cette dépréciation est le résultat de dommages causés par faits de guerre, la déduction en est prévalablement admise; l'imposition ainsi réduite sera soumise à révision, si le redevable recolt ultérieurement une indemnité en titre de la législation sur les dommages de guerre.

ARTICLE 5

Lorsque des biens existant au 1er janvier 1940 ont été cédés à titre onéreux par le redevable avant le 1er janvier 1944, les sommes obtenues en échange, prennent dans son patrimoine la place des biens cédés. Si ces sommes ont été employées à l'acquisition d'autres biens, il sera tenu compte de la valeur de ces biens au 1er janvier 1944. Si leur emploi ne peut être justifié, elles doivent être obligatoirement comprises dans le patrimoine existant au 1er janvier 1944.

De même, si les biens existant au 1er janvier 1940 ont été détruits partiellement ou en totalité par suite de sinistres, la créance éventuelle sur une compagnie d'assurance ou l'indemnité payée par elle ainsi que toutes indemnités compensatrices prenant la place des biens sinistrés ou s'incorporent à ces biens.

Aux fins de liquidation de la présente taxe, les biens ayant fait l'objet d'une donation postérieurement au 1er janvier 1940 pourront à la volonté du donateur :

- ou bien être reintégrés dans l'actif du donateur au 1er janvier 1944 (et par conséquent ne pas figurer dans le patrimoine du donataire à cette dernière date).
- ou bien être ajoutés à l'actif du donataire au 1er janvier 1940 (et par conséquent être déduits du patrimoine du donateur).

Le donateur qui n'exprime pas expressément un choix au moment de la déclaration prévue à l'article 8 est réputé choisir la première solution.

La première solution sera appliquée d'office s'il est établi que la donation a eu pour objet de dissimuler un accroissement de fortune.

ARTICLE 6

Lorsque des éléments de l'actif ou leur produit ont été transférés hors de Corse postérieurement au 1er janvier 1940, ils doivent néanmoins être compris dans la déclaration des biens existant au 1er janvier 1944?

ARTICLE 7

Pour le calcul de l'enrichissement taxable le montant des avoirs au 1er janvier 1944 doit être réduit à concurrence du montant justifié des biens reçus ou cédés à cause de mort depuis le 1er janvier 1940.

Les dettes qui avaient acquiescées certaines avant le 1er janvier 1940 ou avant le 1er janvier 1944 sont déduites respectivement du montant des avoirs à chacune de ces deux dates.

S'il s'agit de dettes commerciales, la production par l'intéressé de ses livres de commerce peut être exigée sous peine de rejet.

Les capitaux versés en vertu de contrats d'assurances sur la vie ou de capitaux-lésion ne sont pas compris dans le montant de l'enrichissement taxable.

Par contre, les primes versées au titre des conventions sus-risées entre le 1er janvier 1940 et le 1er janvier 1944 sont reintégrées dans le patrimoine de l'assuré à cette dernière date.

TITRE II - Des déclarations

ARTICLE 8

La taxe est perçue sur déclarations.

Est tenue de souscrire une déclaration toute personne physique ou morale, toute exploitation ou entreprise visée à l'article 2 qui a bénéficié d'un enrichissement taxable au sens des articles 3 à 7 de la présente ordonnance.

En tout état de cause, et même si elle estime ne pas être imposable, est également tenue de souscrire une déclaration, toute personne physique ou morale, toute exploitation ou entreprise, visée à l'article 2.

- Lorsque le total des sommes figurant au crédit de son ou de ses comptes en banque, à la Poste, dans une entreprise ou chez un Officier Ministériel était supérieur à 50.000 francs au 30 octobre 1943,

Ou lorsque le montant des billets de la Banque de France qu'elle a déposés en application de l'Ordonnance du 2 octobre 1943, était supérieur à 50.000 francs.

Ou lorsque le montant des effets, titres ou valeurs, qu'elle a déposés ou fait estampiller en application de l'Ordonnance du 2 octobre 1943 était supérieur à 50.000 Francs,

Ou lorsque postérieurement au 1er janvier 1940 elle a acquis un ou des biens immobiliers pour une valeur totale de plus de 25.000 Francs.

ARTICLE 9

Les personnes visées à l'article 8 ci-dessus sont tenues de souscrire une double déclaration du montant de leurs avoirs en Corse au 1er janvier 1940 et au 1er janvier 1944.

Cette déclaration doit porter sur tous les biens mobiliers ou immobiliers possédés en Corse, et par application de l'article 6 de la présente ordonnance sur les biens transférés hors de Corse postérieurement au 1er janvier 1940; elle doit mentionner séparément et pour chacune des deux dates les éléments d'actifs bruts et leur valeur ainsi que les dettes deductibles.

ARTICLE 10

Pour le calcul de l'enrichissement taxable la déclaration doit comprendre au 1er janvier 1940 et au 1er janvier 1944 les biens possédés à chacune de ces deux dates par la femme et les enfants mineurs du déclarant réserve faite du cas où la femme est séparée de biens (addition que la séparation des biens soit antérieure au 1er juin 1940) auquel cas cette dernière doit faire une déclaration distincte.

ARTICLE 11

La valeur estimative des meubles meublants ne peut être estimée au 1er janvier 1940 à un pourcentage du montant global de la fortune supérieur à celui du 1er janvier 1944.

Le montant de l'avoir en numéraire au 1er janvier 1940 ne peut être supérieur à 5% de la fortune à cette date sans toutefois pouvoir dépasser 50.000 francs. Cependant, lorsque ce pourcentage de 5% représente moins de 10.000 Francs le montant de l'avoir en numéraire pourra être évalué à ce chiffre.

Le déclarant est tenu à faire la preuve que l'application des coefficients fixés à cet article conduirait à des évaluations contraires à la réalité et qui lui seraient défavorables.

ARTICLE 12

Les declarations sont deposees au Controle des Contributions Directes du lieu de la residence ou du siege social avant le terme de rigueur.

Toutefois lorsque le beneficiaire d'un enrichissement taxable est actuellement empeche de correspondre avec le Controleur des Contributions directes competent pour recevoir la declaration et ne dispose en Corse d'aucun representant habilite a souscrire pour son compte cette declaration, il lui est accorde pour la deposer un delai supplementaire de deux mois a partir de la reprise des communications entre la Corse et le lieu de sa residence.

ARTICLE 13

En cas de deces du contribuable posterieurement au 1er janvier 1944 la declaration doit etre souscrite par ses heritiers ou ses ayants-cause. Il en est de meme pour les deces survenus avant le 1er janvier 1944 lorsque, a cette date, la succession n'aura pas encore ete liquidee et les biens du defunt partages.

En cas d'absence ou d'empechement, une declaration provisoire doit etre souscrite par le representant du redevable absent ou empeche ou par la personne chargee amiablement ou legalement de gerer tout ou partie de ses biens.

TITRE III - de la verification des declarations et de la
taxation d'office

ARTICLE 14

Les agents des Contributions directes verifient les declarations.

Ils peuvent demander au redevable verbalement ou par ecrit tous eclaircissements ou justifications concernant sa declaration ou sa situation de fortune. Ils doivent assigner au contribuable pour fournir sa reponse, un delai qui ne peut exceder vingt jours, ni etre inferieur a six jours.

ARTICLE 15

L'Administration est fondee a etablir au moyen de presomptions graves precises et concordantes, l'existence d'un enrichissement taxable. Elle peut faire etat des declarations souscrites par les interesses depuis le 3 septembre 1939 pour l'assiette ou la perception des impots, des demandes d'assistance ou de remise d'impots presentees par eux, des acquisitions de biens qu'ils ont faites depuis le 1er janvier 1940 ou des depenses faites sur leurs biens immobiliers depuis cette date et qui ont eu pour effet d'accroitre la valeur de ces biens des polices d'assurance ainsi que de tous autres elements susceptibles d'etablir l'existence et le montant de l'enrichissement taxable.

ARTICLE 16

Peut etre taxe d'office:

- Tout contribuable qui ayant beneficie d'un enrichissement n'a pas fait de declaration.
- Tout contribuable qui s'est abstenu de repondre aux demandes d'eclaircissements ou de justifications.
- Tout contribuable qui a souscrit une declaration inexacte quant a la nature ou a la valeur des biens en sa possession au 1er janvier 1940 ou au 1er janvier 1944, si cette inexactitude entraine une diminution superieure a 10% de l'enrichissement global.
- Toute personne qui, tenue par la presente ordonnance de souscrire une declaration pour le compte du contribuable decede, se trouve dans les cas prevus aux alineas ci-dessus.

TITRE IV - Du tarif

ARTICLE 17

La taxe resulte de l'application d'un tarif progressif sur le montant de l'enrichissement et eventuellement d'un supplement en fonction du pourcentage de cet enrichissement par rapport a la fortune.

ARTICLE 18

Le tarif est fixe comme suit:

- sur la fraction d'enrichissement inferieure a 50.000	0
- sur la fraction d'enrichissement comprise entre 50 & 100.000	4%
- " " " " " 100.000 & 200.000	10%
- " " " " " 200.000 & 500.000	20%
- " " " " " 500.000 & 1 million ..	30%
- " " " " " 1 et 2 millions	40%
- " " " " " 2 et 3 millions	50%
- " " " " " 3 et 4 millions	60%
- " " " " " superieure a 4 millions	70%

ARTICLE 19

Le supplement est egal a 15% de la fraction de l'enrichissement superieure a 50% de la fortune au 1er janvier 1940, sans toutefois que la fraction exoneree de ce supplement puisse etre inferieure a 25.000 francs.

ARTICLE 20

Le montant de la taxe est majore de 20% pour le contribuable age de plus de 30 ans au 1er janvier 1944, qui est celibataire, veuf ou divorce sans enfant; les veuves de guerre non remariees sont exonerees de cette majoration.

- de 10% pour le contribuable marie depuis plus de deux ans au 1er janvier 1944 et n'ayant pas d'enfant.

ARTICLE 21

Le montant de la taxe est encore majore:

- de 10% pour le contribuable qui a depose sa declaration apres le delai fixe par l'article 10 de la presente ordonnance,
- de 25% pour le contribuable taxe d'office.

Toutefois le Commissaire aux Finances peut accorder a titre gracieux la remise totale ou partielle des majorations encourues en vertu du present article.

TITRE V - Du recouvrement

ARTICLE 22

La taxe est remise en recouvrement dans les ecritures des comptables directs du Tresor. La notification de la mise en recouvrement est faite au contribuable par lettre recommandee avec accuse de reception.

La taxe est exigible dans les conditions fixees a l'article 24 ci-apres et nonobstant opposition.

Toutefois, le redevable qui, a la suite du recours prevu par l'article 26 ci-dessus a obtenu du Commissaire aux Finances une modification du montant de son imposition, a droit au remboursement immediat des sommes indument perçues.

ARTICLE 23

Le recouvrement de la taxe et des majorations peut être poursuivi contre le redevable, ses représentants et ses ayants-cause. Il est assuré dans les conditions et sous les sanctions prévues par les chapitres II à IV du titre 4 du livre III du Code Général des impôts directs.

Toutefois, indépendamment du privilège général institué par l'article 399 du Code, le Trésor a pour garantie du paiement des taxations et pénalités établies en exécution de la présente ordonnance, une hypothèque générale sur tous les immeubles, fonds de commerce, navires de plus de vingt tonnes et aéronefs appartenant aux redevables.

Cette hypothèque prend rang à la date de son inscription qui sera faite à la diligence du Comptable direct du Trésor compétent, sur seule production d'une copie de la lettre notifiant la mise en recouvrement, dans les conditions déterminées par les articles 1er, 2, 3, 4, 5, 10 et 20 de la loi du 10 août 1922 et l'article 15 de la loi du 15 mai 1924.

Outre cette hypothèque générale, le Trésor bénéficie d'un privilège spécial sur les fonds et valeurs déposés en banque.

ARTICLE 24

Le redevable peut se libérer par tiers en cinq mois, le premier tiers étant exigible au bout de 45 jours et les deux autres tiers respectivement à l'expiration des troisième et cinquième mois qui suivent la notification.

Toutefois le montant de la taxe sera réduit de 5% si le paiement total est effectué dans les 45 jours. Si le paiement total est effectué dans les 2 mois qui suivent la notification, le montant de l'impôt est réduit de 2%.

Le défaut de paiement du tiers exigible entraîne une majoration de la taxe de $\frac{1}{2}\%$ par mois de retard, tout mois commence comptant pour un mois entier. Si ce retard excède trois mois, le taux des majorations est double à partir du quatrième mois.

Le défaut de paiement peut donner lieu à la contrainte par corps. La durée est fixée conformément au barème en vigueur d'après les sommes restant dues en vertu de la présente ordonnance, par le Tribunal de première instance du lieu du domicile.

ARTICLE 25

Lorsque le redevable est une société anonyme et lorsqu'elle ne s'est pas acquittée de la taxe au bout de cinq mois, le Trésor peut la mettre en demeure de procéder à une augmentation de capital et de lui remettre des actions en paiement de la taxe. Un arrêté du Commissariat aux Finances fixera le mode d'évaluation de ces actions.

Lorsque le redevable ne s'est pas acquitté au bout de cinq mois et que le Trésor a garanti sa créance par une hypothèque, il aura la faculté d'exécuter ~~par~~ le gage. Dans ce cas il pourra utiliser la procédure de l'expropriation pour cause d'utilité publique et céder l'immeuble à une société ou à un office d'habitation à bon marché ou à une collectivité ou établissement public pour un usage d'intérêt général.

TITRE VI - Des voies de recoursARTICLE 26

Dans le délai d'un mois à compter du jour de la notification de la mise en recouvrement le redevable peut former un recours devant une commission siégeant au Commissariat aux Finances dont la constitution et le fonctionnement seront fixés ultérieurement par arrêté du Commissaire aux Finances.

La Commission peut entendre toutes les personnes susceptibles de l'éclairer. Les redevables dont l'enrichissement est examiné peuvent s'ils le désirent, se faire assister ou représenter devant elle par un avocat régulièrement inscrit à un barreau, un avoué ou un expert comptable.

La décision de la Commission peut confirmer l'imposition attaquée ou la modifier, soit à l'avantage, soit au détriment du redevable. Elle est prise en dernier ressort.

TITRE VII - Dispositions diverses

ARTICLE 27.-

Les opérations conclues sous forme de contrats ou d'actes juridiques quelconques, et dissimulant un accroissement de fortune par une réalisation ou un transfert de propriété, directement ou par personne interposée ne sont pas opposables à l'administration, qui a le droit de restituer à l'opération son véritable caractère et de taxer d'office./.

Les agents de contrôle disposent des pouvoirs d'investigation les plus étendus tels qu'ils sont définis par les textes fiscaux en vigueur.

Tout refus de communication est constaté par un procès-verbal administratif. L'auteur du refus est passible, s'il est personne privée, d'une astreinte de 100 francs par jour de retard, qui court jusqu'au jour où un nouveau procès-verbal constate que la communication a été faite.

Si le refus de communiquer est le fait d'une administration ou d'un service public, le Chef du Service peut faire l'objet de sanctions administratives sur demande du Directeur départemental des Contributions Directes à son supérieur hiérarchique.

ARTICLE 28.-

Quand les personnes visées à l'article 2 de la présente ordonnance possédaient au 29 Octobre 1943 des avoirs en Banque, supérieurs à vingt mille francs, l'exédent du compte par rapport à ce chiffre est bloqué jusqu'à nouvel ordre chez les établissements ou organismes dépositaires.. concurrence de 75% de son montant.

Il ne pourra être disposé de la fraction bloquée que sur autorisation du Trésorier Payeur Général.

ARTICLE 29.-

À titre exceptionnel et quand il pourra établir qu'il est hors d'état de payer la taxe immédiatement, sans subir de grave préjudice le redevable pourra obtenir des délais de paiement par décision du Commissaire aux Finances.

Durant l'instruction de cette demande le Directeur départemental des Contributions Directes peut autoriser le contribuable à surseoir au paiement de tout ou partie de la somme exigible.

ARTICLE 30.

À partir du jour de la notification de mise en recouvrement le Directeur départemental des Contributions Directes peut faire prendre toutes les mesures nécessaires à la sauvegarde du patrimoine du redevable. Il peut notamment faire défense à tous détenteurs de deniers ou créances, meubles et effets mobiliers appartenant à ce dernier de se dessaisir entre les mains de quiconque sans son autorisation.

ARTICLE 31

Les actes et documents établis à l'occasion de la procédure prévue par la présente ordonnance sont dispensés des droits de timbre et d'enregistrement.

ARTICLE 32

La présente ordonnance sera publiée au Journal Officiel de la République Française et sera exécutée comme loi./.

DRAFT OF DECREE
CREATING A COMMISSION TO UNCOVER
AND CONFISCATE ILLEGAL INCREASE OF WEALTH IN CORSICA
SINCE JANUARY 1, 1940

THE FRENCH COMMITTEE OF NATIONAL LIBERATION acting on the
REPORT OF THE COMMISSAIRE FOR FINANCE, and by virtue of the
DECREE DATED JUNE 3, 1943 creating the French Committee of National Liberation
and with the agreement of the ~~JUDICIAL~~ **LEGAL** COMMITTEE

DECREES THAT

ARTICLE I

Illegal increase of wealth in Corsica between January 1, 1940 and
January 1, 1944 shall be confiscated.

ARTICLE II

All increases in wealth from the following sources shall be considered as
illegal:

- (1) Dealings with the enemy;
- (2) All operations for pecuniary gain accomplished through profiting
either from the regulations decreed by the enemy or inspired by him regarding
certain groups of persons or associations or through the unfair distribution
of commodities, goods, or supplies carried out by the groups or organizing
committees or organizations in charge of this distribution;
- (3) Operations carried out in violation of laws and regulations on
taxation and price control, on delivery, circulation, and holding of goods,
on the export of capital and the trade in gold, as well as all other regulations
of an economic nature.

ARTICLE III

A Commission in charge of the following has been organized;

- (1) Uncovering of the origin of increase in wealth in Corsica by corporate bodies or individuals between January 1, 1940 and January 1, 1944;
- (2) Establishing the amount of those sums which, representing an illegal increase in wealth, shall be confiscated.

ARTICLE IV

The composition of this Commission is as follows:

President

A Judge nominated by the President of the "departemental" Court

Paymaster General of Corsica

Director of the Registry of Property and Stamp Office

"Departemental" Director of Customs and Indirect Taxation, or his
representative

"Departemental" Director of Economic Control

Corsican Delegate for the Blockade Service

"Departemental" Director of Direct Taxation and of the Cadastral Survey

One Inspector General, or Inspector belonging to one of the financial excises
nominated by the President to act as Secretary to the
Commission.

The Commission may be divided through decree by the Commissariat for Finance. In this case each of the heads of the departments belonging to the main Commission shall nominate a representative of his administration as a member for the second Commission.

The President of the "departemental" court shall nominate the judge to preside over the second Commission. This Commission shall hold the same investigatory and decisionary powers as the main Commission for all matters which the main Commission shall delegate to it.

HEADING I - PRELIMINARY INVESTIGATION OF CASES

ARTICLE V

The Commission ^{deals with} ~~recognizes that~~ all operations covered in ARTICLE II and accomplished by corporate bodies or private individuals of any nationality whatsoever who have carried out this activity in Corsica between January 1, 1940 and January 1, 1944 either directly or through intermediaries.

ARTICLE VI

All public administrations are responsible for informing the Commission of all information available to them which might lead to the uncovering of illegal increase in wealth.

ARTICLE VII

The President and the rapporteurs nominated by the Commission shall hold investigatory powers such as granted by law to all officers of the judiciary police.

They may call upon officers of the public police force who shall provide them with assistance and protection.

ARTICLE VIII

The President shall summon the debtor to appear before the Commission either through a registered letter with notice of delivery or through a writ of summons to be delivered to the debtor by a ministerial officer or a sworn official. He shall set the time limit in which the debtor shall furnish the information or explanations which have been requested of him.

ARTICLE IX

The President shall subpoena any person whose testimony he deems necessary. The Commission shall receive directly all testimony or all information gathered by a rapporteur.

All subpoenas shall validly be served upon the witnesses through sending of a registered letter with notice of delivery.

Every person summoned to give testimony shall be held to appear in

court. Otherwise the President of the Commission will impose a fine of 100 francs for each day of delay. This fine is collected as direct taxation. If the witness, who has thus been taxed, shows excuses, the President may order total or partial return of the fine after consultation with the Commissioner.

The same fine is imposed to a witness who refuses to take the oath or who refuses to give answer to the questions put to him.

No witness shall invoke professional secrecy except in those cases expressly mentioned in ARTICLE 378 of the Penal Code.

The members of the Commission shall be forbidden to reveal information received during the accomplishment of their task except however to the Administration to which they are attached.

ARTICLE X

If the debtor has not acted upon two successive summons without a sufficient excuse, the Commission may proceed further and draw up a verdict against the defaulter and set him a fine of one thousand to twenty thousand francs.

HEADING II - DECISION OF THE COMMISSION

ARTICLE XI

The Commission shall determine fully and finally the value of the evidence which it has gathered.

If as a result of this information it becomes evident that one or more operations listed in ARTICLE II have been carried out, the Commission can decide that the total increase in wealth or a fraction thereof is illegal in nature.

ARTICLE XII

After having examined all the information received and particularly the reports submitted for information, and if the Commission deems that

it holds sufficient evidence, it shall render its decision. This decision shall be taken by majority vote. In case of equal votes, the deciding vote shall be cast by the President. The presence of at least four members shall constitute a quorum.

The decision taken by the Commission shall be forwarded to the debtor by registered letter with notice of delivery.

ARTICLE XIII

The Commission shall set the amounts which have been confiscated by taking into account the sums collected as tax on the increase in wealth by virtue of the decree of .

ARTICLE XIV

If application is made to the Commission by the debtor, by any administration or its President, the Commission may revise its decision either to decrease or increase the amounts of confiscated fines if further information is brought to its attention. Through a preliminary decision, the Commission may suspend the payability of taxes in process of collection.

No request for appeal shall be presented after a certain date which shall be set by a decree from the Commissaire for Finance.

HEADING III - EXECUTION OF THE DECISIONS OF THE COMMISSION

ARTICLE XV

The confiscated amounts and the fines referred to under HEADING IV shall be immediately claimable. If payment is not made within the thirty days following notification, the amount of the confiscation shall be increased by 1% for each month of delay, and ^{each} fraction of the month shall count as a whole month. The rate of increase shall be doubled after the fourth month of delay.

Default in payment may bring about imprisonment for debt. The

Court of First Instance of the debtor's place of residence shall set the length of the prison sentence in accordance with the scale in force, and in accordance with the amounts remaining due by virtue of this decree.

ARTICLE XVI

Collection of the confiscated sums and the fines mentioned under HEADING IV can be carried out against the debtor and his rightful claimants. He is safeguarded under the conditions and sanctions provided for in CHAPTERS II to IV of HEADING IV, BOOK III, of the General Code for Direct Taxation.

However, regardless of the privileges set forth by Article 399 of the Code, the Treasury holds as guarantee of payment of the amounts due through the execution of this Decree a general mortgage on all landed property, commercial enterprises, vessels over 20 tons and aircraft belonging to the debtor. This mortgage shall take effect on the date of its registration by the accountant in charge of Collections. The registration shall be made through production of a certified copy of the decision taken by the Commission under the conditions set forth in ARTICLES I, II, III, IV, V, X and XX of the Law dated August 10, 1922, and ARTICLE XV of the Law dated May 15, 1924. In addition to this general mortgage, the Treasury shall hold special privileges covering the funds and securities deposited in a bank.

For conservatory purposes, the President of the Commission shall be entitled to take, prior to any decision made by the Commission, all measures intended to insure the subsequent execution of decisions.

Particularly through an enforceable decree, he shall be empowered to seize all personal estate, decree the cessation of all credit, register the general mortgage mentioned above notwithstanding the non-assessment of the State's claim. In this last case, the mortgage shall take effect on the date of the registration required by the President.

ARTICLE XVII

When certain changes have been made in order to check the execution of this Decree, the President of the Commission or the Accountant in Charge of Collection shall be empowered to request the civil court to repeal said changes.

At the request of the President of the Commission or the Accountant in Charge of Collection, the civil court shall be ~~empowered~~ to repeal any deed, subject to payment or free of charge, drawn up between living or testamentary persons since January 1, 1940 either directly by the debtor, his relatives or relations through marriage, his associates or agents, or by any other intermediary on the condition that this deed be intended to conceal the existence or the nature of the increase of wealth or to prevent collection of the confiscated amounts and of the fines.

ARTICLE XVIII

All deeds, notifications or documents whatsoever drawn up at the time of the execution of this Decree shall be exempt from stamp and registration duties.

HEADING IV - FINESARTICLE XIX

In addition to the confiscation decreed under ARTICLES XII to XIV above, the Commission shall be empowered to impose fines in the following cases and conditions:

1. If the Commission during the course of its investigation notes that the debtor has been guilty of the violations described but which have not yet been recorded regarding the laws and regulations mentioned in ARTICLE II above, the Commission shall be empowered, acting on behalf of the administration concerned, to impose the fines provided for by legislation in force.

- 8 -

Should the legislation prescribe a sentence of imprisonment of more than five days and less than five years, or a penalty of more than five years imprisonment with or without hard labor, the Commission shall be empowered to inform the Public Prosecutor of these facts.

2. If the Commission is informed that repeated infraction of the provisions of ARTICLE II have been previously recorded, the Commission shall be empowered notwithstanding any previous penalty imposed, to decree an additional fine which shall not exceed the illegal increase in wealth as determined by the Commission under the conditions provided for by ARTICLE XI.

3. If the defendant has given false testimony, or if he has endeavored to conceal his true position by executing a legal act under the conditions provided for by ARTICLE XVII above, the Commission shall be ~~empowered~~ ^{that} to impose a fine upon him which shall not exceed ~~the~~ amount of the increase in wealth the existence or illegal character of which the defendant has endeavored to conceal.

ARTICLE XX

This Decree shall be published in the Official Journal of the French Republic and shall have force of law.

PROJET D'ORDONNANCE

portant creation d'une Commission chargee de rechercher
et de confisquer les enrichissements illicites realises en
Corse depuis le 1er janvier 1940.

-
- " LE COMITE FRANCAIS DE LA LIBERATION NATIONALE "
- " SUR LE RAPPORT DU COMMISSAIRE AUX FINANCES "
- " DU L'ORDONNANCE DU 5 JUIN 1943 PORTANT INSTITUTION DU
- " COMITE FRANCAIS DE LA LIB RATION NATIONALE
- " LE COMITE JURIDIQUE ENTENDU

" O R D O N N E "

ARTICLE 1.

Les enrichissements illicites realises en Corse entre le 1er
Janvier 1940 et le 1er Janvier 1944 seront confisques.

ARTICLE 2.

Est considere comme illicite l'enrichissement provenant:

1° du commerce avec l'ennemi

2° d'operations lucratives realisees en profitant soit de la re-
glementation edictee par l'ennemi ou sous son inspiration a l'encontre de
certaines categories de personnes ou d'associations, soit de repartitions
inequitables de denrees, marchandises ou fournitures faites par les grou-
pements et comites d'organisation ou organismes de repartition.

3° d'operations effectuees en infraction aux lois et reglements
sur la taxation et le controle des prix, sur la livraison, la circulation
et la detention des marchandises, sur l'exportation des capitaux et le
commerce de l'or, ainsi qu'a toutes autres reglementations de caractere
economique.

ARTICLE 3.

Il est institue une commission chargee:

1° de rechercher l'origine des enrichissements realises en Corse
par les personnes physiques et morales entre le 1er janvier 1940 et le
1er janvier 1944.

2° d'arreter le montant des sommes qui, representant un enrichis-
sment illicite, seront confisques.

...

ARTICLE 3 (suite)

ARTICLE 4.-

La Commission est ainsi composee:

- President: un juge designe par le President du Tribunal Departemental.
- Le Tresorier Payeur General de la Corse.
- Le Directeur de l'Enregistrement des Domaines et du Timbre.
- Le Directeur departemental des Douanes et des Contributions indirectes ou son representant.
- Le Directeur departemental du Controle economique
- Le Delege en Corse du service du Blocus
- Le Directeur departemental des Contributions directes et du Cadastre.
- Un Inspecteur principal ou Inspecteur appartenant a l'une des Regies financieres designe par le president exerce les fonctions de secretaire de la Commission.

La Commission peut etre dedoublee par arrete du Commissaire aux Finances. Dans ce cas, chacun des chefs de service membre de la Commission principale designe un representant de son administration comme membre de la seconde Commission. Le President du Tribunal departemental designe le Magistrat appele a presider la seconde commission. Cette Commission dispose des memes pouvoirs d'investigation et de decision que la commission principale pour les affaires que celle-ci lui delegue.

TITRE I - De l'instruction des affaires

ARTICLE 5.

La Commission connait de toutes les operations visees a l'article 2 et effectuees par les personnes physiques ou morales a quelque nationalite qu'elles appartiennent qui ont exerce leur activite en Corse entre le 1er janvier 1940 et le 1er janvier 1944, soit directement, soit par personne interposee.

ARTICLE 6.

Les administrations publiques ont le devoir de porter a la connaissance de la Commission toutes les indications susceptibles de faire decouvrir des enrichissements illicites, dont elles pourraient avoir connaissance.

ARTICLE 7.

Le President et les rapporteurs designes par la Commission disposent des pouvoirs d'investigation que la loi accorde aux Officiers de Police Judiciaire.

Ils peuvent requerrir les agents de la force publique qui leur doivent aide et protection.

ARTICLE 8.

Le President cite le redevable devant la Commission soit par lettre recommandee avec accuse de reception, soit par citation a personne par un officier ministeriel ou un fonctionnaire assermente.

ARTICLE 8. (suite)

Il fixe le delai accorde au redevable pour fournir les renseignements ou eclaircissements qui lui sont demandes.

ARTICLE 9.

Le President convoque toute personne dont le temoignage lui paraît necessaire. La Commission recoit directement les temoignages ou les fait recueillir par un rapporteur.

Les citations a comparaitre sont valablement notifiees aux temoins par l'envoi d'une lettre recommandee avec accuse de reception.

Toute personne citee pour etre entendue en temoignage est tenue de comparaitre. Sinon le President de la Commission lui inflige une amende de 100 frs. par jour de retard, qui est recouvree comme en matiere de contributions directes. Si le temoin ainsi taxe produit des excuses le President peut faire remise totale ou partielle de l'amende sur avis conforme de la commission.

La meme amende est infligee au temoin qui refuse de preter serment ou refuse de repondre aux questions posees.

Aucun temoin n'est fonde a invoquer le secret professionnel, en dehors des cas expressement vises a l'article 378 du Code Penal.

Il est interdit aux membres de la Commission de divulguer les faits dont ils ont eu connaissance a l'occasion de leur mission sauf toutefois aux administrations dont ils relevent.

ARTICLE 10.

Si le redevable n'a pas refere a deux convocations successives sans excuse valable, la Commission peut passer outre, arreter la decision a l'encontre du defaillant et lui infliger une amende de 1.000 a 20.000 francs;

TITRE II § De la decision de la Commission.

ARTICLE 11.

La Commission aprecie souverainement et en dernier ressort la valeur des elements de preuve qu'elle a recueillis.

S'il resulte de ses informations qu'une ou plusieurs operations visees a l'article 2 ont ete effectuees, elle peut decider que la totalite de l'enrichissement ou qu'une fraction de celui-ci presente un caractere illicite.

ARTICLE 12.

Apres examen de tous les renseignements recueillis et notamment du rapport presente aux fins d'information, et si elle s'estime suffisamment eclairee la Commission rend sa decision. Celle-ci est prise a la majorite des voix. En cas de partage egal, la voix du President est preponderante. La presence de quatre membres au moins est necessaire a la validite de la decision.

La decision de la Commission est notifiee au redevable par lettre recommandee avec accuse de reception.

...

ARTICLE 13

La Commission arrête le montant de la confiscation opérée en tenant compte des sommes perçues au titre de la taxe sur les accroissements de fortune en vertu de l'ordonnance du.....

ARTICLE 14.

La Commission saisie par le redevable, par toute administration ou par son président peut reviser sa décision soit pour diminuer soit pour augmenter le montant de la confiscation des amendes si des faits nouveaux sont portés à sa connaissance. Elle peut, par une décision préparatoire, suspendre l'exigibilité des taxes en cours de recouvrement.

Aucune demande en révision ne pourra être introduite à partir d'une date qui sera fixée par arrêté du Commissaire aux Finances.

TITRE III - De l'exécution des décisions de la Commission.

ARTICLE 15.

Les sommes confisquées et les amendes visées au titre IV sont immédiatement exigibles. À défaut de paiement dans les 30 jours qui suivent la notification, le montant de la confiscation sera majoré de 1^{er} par mois de retard, tout mois commence comptant pour un mois. Le taux de la majoration est double à partir du quatrième mois de retard.

Le défaut de paiement peut donner lieu à la contrainte par un corps. Le Tribunal de première instance du domicile du redevable fixe la durée de l'emprisonnement, conformément au barème en vigueur, et d'après les sommes restant dues en vertu de la présente ordonnance.

ARTICLE 16.

Le recouvrement des sommes confisquées et des amendes visées au titre IV peut être poursuivi contre le redevable et ses ayants cause. Il est assuré dans les conditions et sous les sanctions prévues par les chapitres II à IV du titre IV du livre III du Code Général des impôts directs.

Toutefois, indépendamment du privilège institué par l'article 399 du Code, le Trésor a pour garantie du paiement des sommes dues en exécution de la présente ordonnance, une hypothèque générale sur tous les immeubles, fonds de commerce, navires de plus de vingt tonnes et aéronefs appartenant au redevable.

Cette hypothèque prend rang à la date de son inscription par le comptable chargé du recouvrement. L'inscription est faite sur seule production d'une ampliation de la décision de la Commission dans les conditions déterminées par les articles 1, 2, 3, 4, 5, 10 et 20 de la loi du 10 août 1922 et de l'article 15 de la loi du 15 mai 1924.

ARTICLE 16 (suite)

Outre cette hypothèque generale, le Tresor beneficie d'un privilege special sur les fonds et valeurs deposees en banque.

A titre conservatoire, le President de la Commission peut prendre, avant toute decision de la commission, toutes mesures en vue d'assurer l'execution ulterieure des decisions.

Il peut notamment par une ordonnance ayant force exécutoire, saisir tous biens meubles, saisir arreter toutes creances, inscrire l'hypothèque generale visée ci-dessus, nonobstant le défaut de fixation de la creance de l'Etat. Dans ce dernier cas, l'hypothèque prendra rang au jour de l'inscription requise par le President.

ARTICLE 17

Lorsque certaines mutations auront ete effectuees en vue de faire echec a l'execution de la presente ordonnance le President de la Commission ou le comptable charge du recouvrement pourront en demander l'annulation au Tribunal Civil.

A la requete du President de la Commission ou du comptable charge du recouvrement le Tribunal Civil pourra annuler tout acte a titre onereux ou gratuit entre vifs ou testamentaires accompli depuis le 1er janvier 1940 soit directement par le redevable, soit par ses parents ou allies, ses associes ou ses proposes ou par toute autre personne interposee a condition que cet acte ait pour objet de dissimuler l'existence ou la nature de l'enrichissement ou d'empêcher le recouvrement des sommes confisquees et des amendes.

ARTICLE 18.

Tous actes, significations ou documents quelconques etablis a l'occasion de l'execution de la presente ordonnance sont dispenses des droits de timbre et d'enregistrement.

TITRE IV : Des amendes

ARTICLE 19.

Outre la confiscation ordonnee par les articles 12 a 14 ci-dessus la commission pourra infliger des amendes dans les cas et conditions ci-apres:

1° Si au cours de ses investigations, la commission constate que le redevable a commis des infractions caracterisees non encore relevees aux lois et reglements visés a l'article 2 ci-dessus, elle peut, au lieu et place de l'Administration intersee, prononcer les amendes prevues par la legislation en vigueur. Dans le cas ou la legislation prescrit des peines correctionnelles, ou criminelles la commission peut porter ces faits a la connaissance du Parquet.

- 6 -

ARTICLE 19 (suite)

2° S'il est porte a la connaissance de la Commission que des infractions repetees aux textes vises a l'article 2 ont ete anterieurement relevees, la commission peut, nonobstant toute condamnation precedemment prononcee, ordonner une amende supplementaire qui sera au plus egale au montant de l'enrichissement illicite tel qu'elle l'a determine dans les conditions prevues a l'art.11.

3° Si l'interesse a donne des renseignements reconnus faux, ou s'il a essaye de dissimuler sa situation veritable en effectuant un acte juridique dans les conditions visees a l'article 17 ci-dessus, la commission peut lui infliger une amende au plus egale a la portion de l'enrichissement dont il a tente de dissimuler l'existence ou le caractere illicite.

ARTICLE 20.

La presente ordonnance sera publiee au Journal Officiel de la Republique Francaise et executee comme loi./.

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMNEP, Algiers
DATED: May 18, 1944
NUMBERS: 1528

SECRET

From War Refugee Board and Department to Ackermann, Chapin, Murphy, Algiers.

Please refer your No. 1529 of May 11.

Cable regarding appointment of Lawler to which reference is made was not intended to change Ackermann's status as Beard's Special Representative for the Mediterranean Area. Ackermann is expected to continue work in connection with Yugoslav and Italian problems as well as all others arising in the Area. Proposal to appoint Lawler if implementation of Ackermann's recommendation that Beard have a full time representative in Italy.

Beard is considering possibility of sending representative to Cairo to operate under Ackermann's general supervision.

Beard believes that overall coordination in Algiers of Beard's activities in Mediterranean Area is desirable.

In view of the fact that Ackermann's activities extend beyond North African territories, he should be regarded as attached to Murphy as well as to the Embassy in Algiers, with Murphy's approval.

THIS IS WEB CABLE TO ALGIERS NO. 12.

HULL

PARAPHRASE OF TELEGRAM SENT

TO: AMEMBASSY, London
FROM: Secretary of State, Washington
DATE: May 18, 1944
NUMBER: 3953

SECRET

Following for Riefler from War Refugee Board.

It is proposed to approach the five principal neutrals in the manner discussed below concerning the passage through the blockade, subject to appropriate safeguards, of additional clothing and food in amounts sufficient to meet the added burdens on their resources in order to arrange for reception by those countries of larger numbers of adults and children refugees from enemy oppression. Such action is in furtherance of this Government's policy to use all available means consistent with successful prosecution of the war to further the rescue of victims of enemy oppression in imminent danger of losing their lives.

Switzerland and Sweden. Assurances that every attempt will be made to arrange for importation of whatever additional stocks of clothing and foodstuffs may be needed in those countries to meet requirements of refugees admitted there. This is a renewal of assurances which the United States and British Governments gave previously.

Turkey, Spain and Portugal. Assurances that if these countries adopt a more generous policy concerning the reception and maintenance of refugees, the United States and British Governments would make arrangements to furnish the supplies needed to meet the needs of refugees admitted to those countries.

Please try to obtain the prompt concurrence of the appropriate British authorities to this course of action so that it may be inaugurated with the least possible delay.

HULL
(GLW)

DCR:IDB:RM
5-27-44

CVW - 19

PLAIN

London

Dated May 18, 1944

Rec'd 4:45 p.m.

Secretary of State,
Washington.

4010, Eighteenth.

The Embassy had just received the agenda for the sixth meeting of the Executive Committee of the Intergovernmental Committee on Refugees scheduled for May 26 at 10:30 a.m. It reads as follows:

- "1. Rules of constitution and procedure and financial regulations of the IGC on refugees. (Circulated 5 May, 1944 with report of the Sub-Committee.)
2. Plenary meeting of the Committee.
3. Report on visit of director and vice-director to Washington. (Memorandum will follow.)
4. Statement by the director on current activities.
5. Any other business.
6. Date of next meeting of the Executive Committee."

Reference is made to the Embassy's despatch 15566 of May 10 forwarding draft of rules for the constitution and procedure and financial regulations of the IGC.

It will be appreciated if any instructions the Department may wish to send the Embassy with regard to this meeting can be received by at least May 25.

BUCKNELL

MRM
LMS

CABLE TO AMERICAN EMBASSY, BOGOTA, COLOMBIA

Reference is made to your A-401 of April 26.

For your information, this Government is deeply concerned with the plight of the persons in question and has taken various measures to protect them. Circular airgrams of May 1, 7:35 p.m. and of May 11, 7:30 p.m., sent to various Latin American countries, are being repeated to you in this connection for your information and guidance.

The reason that you have not (repeat not) received identical instructions earlier is that Department and War Refugee Board have not (repeat not) hitherto heard of any cases of victims of Nazi persecution seeking protection of Colombian documents.

Accordingly, please inform Polish Minister of our entire sympathy with his proposed note and please make approaches to Colombian authorities along the lines indicated in the attached circular airgrams.

You may inform Polish Minister that our Embassies at Caracas and Quito are fully informed of American policy on this subject.

Repeat circular airgrams of May 1, 7:35 p.m.
and of May 11, 7:30 p.m.

May 18, 1944
3:00 p.m.

Bakwin:jp

5/17/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, San Jose
TO: Secretary of State, Washington
DATE: May 18, 1944
NUMBER: 306

SECRET

Reference is made herewith to May 17 telegram
No. 223 from Department.

Will admit Chuprines but not Grunsteins.

DES PORTES

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate, Jerusalem
TO: Secretary of State, Washington
DATED: May 18, 1944
NUMBER: 68

SECRET

Reference is made herewith to Department's cable of May 11, No. 101.

It is stated by Jewish Agency that it believes only twelve to fifteen persons are still under arrest in Rumania for aiding Jews to escape. Now in Palestine is a Rumanian previously detained and he has promised full details.

The only names of Hungarian officials involved in the persecution available to the agency is Candre Laszlo, Minister of the Interior. It is stated in a recent DMB report which the agency received that up to April 25 over 300,000 Jews from the war zone have been interned. We are mailing a full report.

PINKERTON

DCR:VAG:HL

CABLE TO AMERICAN EMBASSY, LISBON, PORTUGAL, FOR DEXTER

You are authorized to transmit at sender's expense via War Refugee Board messages referring to relief and rescue of refugees and related matters from Frits Lichtenstein, Fivoli Hotel, Lishm, to Israel Mereminski, New York. Lichtenstein and Mereminski represent the General Jewish Labor Federation in Palestine.

The following message is from Israel Mereminski, 510 West 112 Street, New York, to Frits Lichtenstein:

QUOTE Please cooperate with Dexter, American Embassy, Lisbon, special representative of War Refugee Board in Portugal. To avoid delay, you may ask Dexter to transmit your messages for me through War Refugee Board. Awaiting your detailed report rescue possibilities activities commitments figures refugees willing go everywhere and only Palestine also. Answer your recommendation concerning Palestine certificates from Jewish Agency, London. I cabled Histadruth your request certificates. Israel Mereminski UNQUOTE

THIS IS WEB LISBON CABLE NO. 28

May 18, 1944

3:00 p.m.

BAKmini:jp 5/18/44

DMH-233

PLAIN

Lisbon

Dated May 18, 1944

Rec'd 10:07 a.m., 19th

Secretary of State,

Washington.

1506, May 18, 6 p.m.

WRB 41. FOR LEAVITT, JOINT, NEW YORK FROM SCHWARTZ

VIA PILPEL.

JDC No. 1 starting new series:

"Saw Jack Van Messel who promised cable in several days when new information expected. For time being prospect his proposal not too bright."

NOHWEB

JT
RR

CABLE TO SWEDEN

From War Refugee Board to Minister Johnson and Olsen, Stockholm, Sweden

SECRET

Reference your 1628 of May 8 concerning the sympathetic attitude of new Bulgarian Minister to Stockholm toward the Jewish situation.

For your confidential information, a similar situation was exploited by Hirschmann, the War Refugee Board attache in Ankara, with regard to the Rumanian Minister to Turkey, who in addition to being sympathetic on the Jewish questions was reputedly close to Marshal Antonescu. With Ambassador Steinhardt's approval two personal interviews were arranged between Hirschmann and Minister Cretzianu at the home of the Intercross representative at Ankara with whom Hirschmann is personally friendly. It was felt by Ambassador Steinhardt and Hirschmann that a direct approach of this type would make a much greater impression on the Rumanian Government than an indirect approach.

Following is an account of Hirschmann's interviews with Cretzianu. At outset of interview Hirschmann made it clear that his sole function in Ankara was as representative of the War Refugee Board to deal with refugee problems, that the discussion was to be confined exclusively to this subject, and that any other interpretation placed upon the conversation either by Cretzianu or his Government would be a deliberate distortion. Hirschmann then outlined to Cretzianu the outraged feeling of the Government of the United States at the brutal treatment which was being accorded the Jewish minorities and other refugees in Rumania and the United States' determination to do everything in its power to rescue such unfortunates who are in imminent danger of death and to find havens of refuge for them. Hirschmann warned that our Government would keep in mind in the future any continuation by the Rumanian Government of the execution of these policies of Hitlerite persecution, and that the Rumanian Government would be well advised in its own interest to take advantage of such opportunities as may be available to it in the future to permit refugees to depart across its borders. Cretzianu was invited by Hirschmann to report the substance of the above interview to his Government. Cretzianu assured Hirschmann that provided the Germans had not taken over from Rumania the administration of Transnistria, which was directly in the path of the retreating German army and where many thousands of Jews were held in Rumanian concentration camps, no bodily harm would come to any of the many Jews in Transnistria. Cretzianu also gave Hirschmann a definite assurance that on arrival of evacuation vessels at Constanza to embark up to 5000 Jewish refugee children, the necessary transportation and exit visas would be provided promptly. Lastly Cretzianu promised to send an urgent telegram to Bucharest recommending in the strongest terms that efforts be made at once to transfer the Jewish refugees held in Transnistria to Rumania proper.

A few days later Cretzianu requested a second interview with Hirschmann in which Hirschmann was advised that the Rumanian Government had decided to transfer the Jews in Transnistria to Rumania proper and that the transfer had already commenced. Since then approximately 40,000 Jews have been removed from Transnistria, and some of these have been evacuated to Palestine through Constanza.

- 2 -

Because of the conspicuous success of this direct approach to the Rumanian Government, Hirschmann with Ambassador Steinhardt's approval decided to make a similar approach to the Bulgarian Government. An interview was arranged on or about March 20 between Hirschmann and Minister Balabanoff of Bulgaria at the home of the Intercross representative at Ankara. Hirschmann opened this interview in the same fashion as the interview with Cretzianu. Balabanoff was advised Hirschmann that the reports of the brutal treatment accorded to the minorities in Bulgaria, especially the Jews, had outraged the Government and people of the United States and that Bulgaria in the near future would be called upon to answer therefor. After advising Balabanoff of this Government's determination to save refugees, Hirschmann warned that any continuation of the execution of these policies of Nazi persecution would be borne in mind by our Government in the future and that the Bulgarian Government would be well advised in its own interests to take advantage of such opportunities to permit refugees to depart across its borders as might be available to it in the future. It was suggested to Balabanoff that he report Hirschmann's remarks to his Government.

In reply Balabanoff stated that the maltreatment of minorities in Bulgaria had resulted from the policies of Gebrowski, the former Minister of Interior, who Balabanoff asserted had been a tool of the Germans and was no longer a member of the Government. Balabanoff stated that of late the Jews had been given much better treatment in Bulgaria and that he had reason to believe the pressure against them would continue to relax. Hirschmann suggested that Balabanoff dispatch at once an urgent cable to his Government recommending that the same treatment as that received by other Bulgarian citizens be accorded henceforth to the Jews and all other minorities in Bulgaria, that the deplorable conditions under which the Jews and other minorities are living in concentration camps be ameliorated at once and finally that the Bulgarian Government take immediate steps to authorize the granting of visas and to provide transportation for all refugees who wish to leave for Turkey or Palestine.

On or about April 6 Hirschmann arranged a second interview with Balabanoff. The latter apparently had received no reply to the telegram and long memorandum which he claimed to have dispatched to his Government after the first interview. Balabanoff claimed however to have received word indirectly that the Bulgarian Government was relaxing its attitude toward minorities and particularly the Jews and that Jews were being permitted to leave Bulgaria by both ship and train. He referred to the bombing of Sofia as the possible reason for his not having heard from his Government. Balabanoff stated further reason for his not having heard from his Government. Balabanoff stated further that Christoff (repeat Christoff) one of the leaders of his Government, had expressed himself in letters to him as sympathetic with the Jewish refugees. Since the above date nothing further has been heard from Balabanoff.

In in your opinion the newly appointed Bulgarian Minister to Stockholm appears since in his attitude toward the Jewish refugee problem, it is suggested that a direct approach be made along the lines of Hirschmann's interview with Balabanoff. In such an interview it could be pointed out that the Bulgarian Government's failure to reply to Balabanoff's telegram and memorandum

- 3 -

has created an unfavorable impression on this Government and that such action will be taken into account in the final reckoning, for it is indicative that Bulgaria has not (repeat not) yet determined to turn its back on the Nazi ideology of race and minority persecution. Following is quotation from nation wide radio broadcast made by John Pehle on May 14. Referring to satellite nations, Pehle stated:

Quote We can bring about a more liberal attitude toward the refugees by making it crystal-clear to these countries that the United States and the United Nations will bear in mind their treatment of minorities when the time for final settlement comes
Unquote

If the Bulgarian Government is sincere in its claim made through Balabanoff to have relaxed its attitude toward minorities and particularly the Jews, there is no better way of manifesting such a changed attitude than by permitting Jews and other refugees to depart to Turkey and Palestine by both rail and ship. No such organized exodus has yet come to the attention of the War Refugee Board despite Balabanoff's claim to the contrary.

The possibility of an orderly evacuation of refugees from Bulgaria to Turkey by land should be thoroughly canvassed. In addition the Bulgarian Government may find it to its advantage to press Bulgarian ships into evacuating refugees from Bulgarian ports by sea. Such ships would be protected by a safe conduct from the Russian, British and American Governments which the War Refugee Board would undertake to obtain. Furthermore the ship owners would not (repeat not) be expected to operate their ships without fair compensation. In this connection see our No. _____ of May 12, indicating that certain ships flying the Bulgarian flag may perhaps already have taken some very limited advantage of this type of arrangement. It is the War Refugee Board's desire to start an exodus of refugees from Bulgaria similar to the one which took place from Constanza during April and which it is hoped will continue. Alternatively the Board would desire to increase evacuations from Constanza by the use of additional Bulgarian shipping. Inasmuch as the Bulgarian ships mentioned in our No. _____ have apparently operated without benefit of a German safe conduct, this may be a solution to German delay tactics in granting safe conducts which have immobilized the TARI to date.

Please advise us promptly of further developments.

This is War Refugee Board cable No. 12

May 18, 1944
3:00 p.m.

MJMarks:lsk 5/17/44

PARAPHRASE OF TELEGRAM RECEIVED

108

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: May 18, 1944
NUMBER: 3166

SECRET

Following is for WRB from McClelland for Agudas Israel World Organization from Sternbuch.

You are advised that Perlberger has been transferred to Bergen from Westerborg but we are not aware whether this means the rescue of Perlberger. Until now all further attempts have been in vain. Passport and certificate are possessed by him. With respect to Rabbi Lewin, it was only your conjecture that he might be at Bergen and this does not seem to be the case. The news from that camp is most unfavorable in part. Attempts have been made by the Chilean Legation in Bern to obtain information from protecting Poler but have not been successful.

Rabbi Kaplan, Lyon, has been contacted by us and his suggestions regarding help are awaited.

It is very pleasing to us to learn that the American Embassy in Madrid is also energetically intervening apparently with some success. It is hoped that the people will be returned to Vittel and we await news with new courier.

(1) It is necessary for every passport to be filled in normally with name and year the person was born. Every one has asked in accompanying letter to have a photo added in place of residence. Only if we have passports here do they have some worth to us. It would be best to get permission giving the Consulates of respective countries in Switzerland power to promptly hand over to us the passports.

(2) Return of courier from Vittel bringing us recent news is expected by us.

(3) No disturbances known at Titmoning. Situation is still uncertain at Bergen Belsen near Hannover although we receive good news. Celle is province where Bergen Belsen is located and is not a camp. It is estimated by us that about 150 to 200 persons with South American papers are interned at these camps. About 1400 internees holding South American papers, for whom Spain and Switzerland are the protecting powers, are held in a large camp at Bergau near Dresden. Departations are taking place and the situation of those two camps is very bad.

On April 5 last we transmitted to Griffel 25,000 francs. Please let us know whether further \$25,000 can be transmitted by us. It is requested that you state the amount of Swiss francs if such can be done.

HARRISON

DCR:IDB:HL 5/20/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, BERN
TO: Secretary of State, Washington
DATED: May 18, 1944
NUMBER: 3171

SECRET

Following is for War Refugee Board's attention.

Reference is made herewith to the Legation's telegram of May 9, 1944, no. 2937 and Department's telegram of April 13, 1944, no. 1270.

It is stated in a Swiss note dated May 12 that the question of internees allegedly removed from Vittel was discussed by the Swiss Legation in Berlin during the recent visit to the German Foreign Office.

Police authorities actually are proceeding with a most careful examination of the identity papers of citizens of American Republics held in internment camps, according to information received by Feldscher. These internees are not disturbed when they are able to furnish satisfactory proof of nationality. However, there are removed from the camps those persons who are not able to establish without any possible doubt that they are citizens of an American Republic. Such action applies to both Compiegne and Vittel.

It was added by Feldscher, in communicating the foregoing by letter dated May 5, that he knows that without having the right to make claims for such nationalities, a large number of citizens of Poland, and citizens of other Eastern European countries have obtained Nicaraguan, Honduran, Paraguayan, et cetera passports. It is extremely difficult to verify, however, whether

there are

-2-

there are among the deported persons citizens of countries whose interests are protected by the Swiss. A report that 163 persons have been removed from Vittel has been made by the Swiss Consulate at Paris which had been instructed to make a first-hand investigation of the matter. A list of these persons is possessed by the Consulate and thus the Swiss Legation in Berlin will be able to determine whether there are among the former internees of Vittel citizens of Latin American countries whose interests are protected by Switzerland.

Attention is also called by Feldscher to the fact that the authorities in Germany are also proceeding by degrees to apply stricter measures to persons claiming to be nationals of the U.S. On the basis of files at the Swiss Legation in Berlin, some internees held in the camps up to the present don't possess United States nationality or are still considered as "alien relatives" of citizens of the United States. It appears that general regulations will be applied by the German authorities to all persons who are refused protection by the United States Government. The substance of Swiss note ends here.

The Swiss Foreign Office was requested by the Legation to try to furnish a list of 163 civilians deported with an indication of their alleged claims of citizenship, also a list of persons at Vittel whose documentation status is such as to lead to the belief that they may be treated in a similar way. A request to have a representative of the Swiss Consulate in Paris proceed to Compiègne to conduct an investigation similar to that carried out at Vittel was also made by the Foreign Office.

HARRISON

BE-215

PLAIN

Bern

Dated May 18, 1944

Rec'd 9:30 a.m., 19th

Secretary of State

Washington

3181, Eighteenth

Bratislava despatch twelfth reports civil administration Eastern Slovakia now placed under jurisdiction Slovak War Minister and adds military authorities are deporting Jews from Presov, Mihalovci, Sicoye, Vranov, Sabinev and other points in militarized area.

HARRISON

RR JT

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara
TO: Secretary of State, Washington
DATE: May 18, 1944
NUMBER: 894

SECRET

Following is from the Ambassador, Ankara No. 57
for Pehle, WRB.

With reference to May 15 telegram No. 431 from
Department, my May 17 telegram No. 888 was in reply
to No. 38 from you.

STEINHARDT

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara
 TO: Secretary of State, Washington
 DATED: May 18, 1944
 NUMBER: 895

SECRET

Following is Ankara no. 58 from Ambassador for War Refugee Board.

A letter from International Red Cross representative in Ankara was received by me today. It is stated in the letter that the International Red Cross in Geneva, in response to a request of the Embassy for information regarding the Jewish situation in Hungary, instructed the Budapest representative of International Red Cross to keep its Ankara (*) informed. It is stated in a preliminary report from Budapest that because of lack of transportation and the impossibility of obtaining Hungarian exit visas, the difficulties in effecting the exit of Jews from Hungary are virtually insurmountable.

It goes on to say in report that in the hope that Allied planes will hesitate to bomb such centers, Jews of Budapest have been placed in concentration camps on the outskirts of the city near the industrial centers. The Budapest report ends with the statement that the International Red Cross representative in Budapest can only protest against inhuman conduct and is "powerless" to prevent such action.

STEINWART

(*) apparent omission.

CABLE TO AMERICAN CONSUL GENERAL, ISTANBUL

Please deliver the following message from the War Refugee Board to David Schweitzer, Pera Palace Hotel, Istanbul, Turkey:

QUOTE. Yours eighth concerning situation Hungary we informed Ira Hirschmann received no special information from Joseph Levy suggest you cable us details for submission War Refugee Board. Signed Asafsky HIAS.
UNQUOTE.

May 18, 1944
3:00 p.m.

12LSerials 5/18/44

CABLE TO AMERICAN CONSULATE GENERAL, ISTANBUL, TURKEY.

A You are authorized to transmit at sender's expense via War Refugee Board messages referring to relief and rescue of refugees and related matters from Yehud Shind, Galata, Yassici Victoria, to Israel Mereminski, New York. Shind and Mereminski represent the General Jewish Labor Federation of Palestine.

The following message is from Israel Mereminski, 510 West 112 Street, New York to Yehud Shind:

QUOTE Cable immediately concrete proposals facilitating and speeding transportation ships and overland and other problems arising in your work also information rescue possibilities and influence on local populations by broadcasts from here. To avoid delay, you may ask American Consulate General to transmitt your messages for me through War Refugee Board. Israel Mereminski UNQUOTE

May 18, 1944
3:00 p.m.

Raksm:jp

5/18/44

NOT TO BE RE-TRANSMITTED

COPY NO. 11

SECRET

OPTEL No. 159

Information received up to 10 a.m., 18th May, 1944.

1. NAVAL

HOME WATERS. 17th/18th. A M.T.B. mined and sunk in Channel. E-boats operated north of CHANNEL ISLANDS and off HARWICH.

MEDITERRANEAN. 13th/14th. One E-boat sunk and another probably sunk by patrol craft off ANZIO. On 15th a British Cruiser and on 16th a U.S. Cruiser supported by fire advance of Army.

ANTI-SUBMARINE OPERATIONS. 17th. U-boat sunk east of CARTAGENA after three day hunt by U.S. Destroyers with air co-operation.

2. MILITARY

ITALY. 17th. Good progress in all sectors of main front south of CASSINO and some progress W.N.W. of the town where two hills have been captured. Enemy still holding out in PIUMAROLA (3½ miles S.W. CASSINO) but our forward troops are about 4,000 yards west of PIGNATARO and have captured ESPERIA, MONTICELLI (where road through ESPERIA debouches from the mountains to the N.W.); also MONTE RUAZZO, MARANOLA and eastern outskirts of FORMIA (10 miles, 7 miles W.N.W. and 7½ miles W. respectively from MINTURNO).

BURMA. Four Divisions of Chinese Expeditionary Force have crossed SALWEEN RIVER into BURMA on a front of 120 miles. Our troops have made progress south of BISHENPUR and round KOHIMA.

3. AIR OPERATIONS

ITALY. 14th/15th. Wellingtons and Liberators attacked railway bridges and an oil refinery in North ITALY.

15th. 1,300 offensive sorties flown against transportation targets, shipping and gun positions in support of attacks by our troops.

17th. Liberators dropped 220 tons on Harbour at PORTO FERRARIO, 253 tons on SAN STEFANO, 256 tons on PIOMBINO, 81 tons on ORBETELLO and 72 tons on ANCONA.

YUGOSLAVIA. 17th. Liberators dropped 83 tons on troop concentrations at BIHAC (95 miles N.N.W. of SPLIT).

TREASURY DEPARTMENT

21 MAY 1944

May 19, 1944
10:01 a.m.

HMJr: Hello.

Operator: Mr. Gamble. Go ahead.

Ted
Gamble: Hello.

HMJr: Ted.

G: Yes, Mr. Secretary.

HMJr: I think it was most unfortunate, that publicity about the four -- big four women going on the air.

G: Yes.

HMJr: You haven't got them.

G: Well, Mr. Secretary, we did not issue that publicity.

HMJr: Well, who did?

G: Well, it did not come from our shop and we put a "kill" on it yesterday with United Press.

HMJr: Yeah. Well, that didn't do you any good.

G: Well, we got it stopped in -- wherever the

HMJr: Well, here it's in the New York Times.

G: I understand.

HMJr: Where did it come from?

G: It did not originate from this shop. We're trying to run it down now.

HMJr: Well....

G: And it did not come from the Treasury Press Shop either.

HMJr: Well, I think it's most unfortunate.

G: Well, it is very unfortunate.

HMJr: The "tack" is right on you.

G: I understand that. It did not come out of our shop.

- 2 -

HMJr: Well, you don't know, really, whether

G: Well, I say, Mr. Secretary, it didn't come out of our shop -- it's -- it was not passed by any of our people. There was no release put out over here on it.

HMJr: Well, I mean, I walked over to your shop and somebody tells Drew Pearson within the hour that I'm over there.

G: That's right. Well, I'm still not sure they were in our shop.

HMJr: Well, you mean

G: Well, I mean they could have been -- they could have been in the Treasury Department or they could have been over here.

HMJr: Yes.

G: But

HMJr: Well, I still say I think it's most unfortunate.

G: I agree with you and we've put a "kill" on it and told United Press how embarrassing it could be to us. The fact that they had no story -- that this was not set and I think you know that our people -- any of our responsible people would have more sense than to put out a story like that.

HMJr: If you don't mind my saying -- I think you ought to do a little -- a little looking around over there, Ted.

G: Well, Mr. Secretary, this could -- that sort of thing could come from a dozen sources and it certainly -- when people start quoting me, they're taking a hell of a lot of liberty just as they would be if they were quoting you on something like that and we protested to United Press. That was the note that I received yesterday when I was having luncheon with you.

HMJr: Yes.

G: And we told them that this might even result in our not being able to get those people.

HMJr: Yeah. Okay.

G: But it

HMJr: Come over a little bit before one so you can
post me what I'm supposed to do, will you?

G: Yes, I'll do that.

HMJr: All right, Ted.

G: All right, sir.

May 19, 1944
12:00 noon

Operator: Go ahead.

HMJr: Hello.

General
Clay: Mr. Secretary.

HMJr: Speaking.

C: This is General Clay speaking. I'm calling in
General Somervell's absence.

HMJr: Yes.

C: At the request of the -- of our Secretary, we are
going up at -- to meet the Vice President at three-
fifteen....

HMJr: Yeah.

C: to brief him on this total negotiation
picture from our War Department viewpoint.

HMJr: Yeah.

C: And we would appreciate it if you would have
somebody -- if you feel that you'd like to have
somebody from the Treasury meet us there at
three-fifteen so that we are sure that we are
all together on our -- on what we tell the Vice
President.

HMJr: Well, Mr. White and I saw him this morning at
nine.

C: I see.

HMJr: But if you'd like to have Mr. White present
again, it's all right with me.

C: Well, we would -- it would be helpful to us
because we want to be very sure that we brief
the Vice President so that there is no question
in his mind as to any differences that there
might be.

HMJr: I didn't know that Mr. Harrison was in on this.

C: I don't think that -- I think that he was just
brought in. He's directly under the Secretary.

HMJr: Yeah.

C: And he was just brought in a day or two ago by the Secretary -- by Mr. Stimson calling him in and asking him to prepare a brief for him on it.

HMJr: Yeah. I -- I'll send for Mr. White and I'll -- I'll have somebody there. I'll most likely send Mr. White back up again.

C: All right, sir. We're going

HMJr: Now, we got a whole new bunch of requests from Kung today via the Ambassador. I haven't had a chance to read it but -- complaining about the Army and so forth and so on. I'll tell Mr. White to give you a copy of it when he sees you at three-fifteen.

C: Thank you very much.

HMJr: And I didn't answer the Ambassador. I told him I wanted it in writing and I'd answer him in writing because he misquotes me -- Wei does -- Ambassador Wei.

C: Well, when we added up all the figures of what's gone over as compared to what's received and the balance in favor of what we've done is a tremendous figure.

HMJr: Well, I'm not disturbed by what they say. It's -- just as long as the Army and the Treasury stick together, I'm not going to worry. But, also, for your information, I asked him if he'd seen the President and he said he had and I told him -- I said somebody has given the President an awful lot of wrong information about China, and I let it go at that. And I now gather that he got it from the Ambassador. But somebody filled the President full of a lot of just plain misinformation, and that's why I asked for this brief to be prepared by General Somervell so we can get the President up to date on what is the right story.

C: Yes, sir. Well, we have the brief. We're finishing up today and

HMJr: But evidently he got it from Ambassador Wei and he gave him the darnedest line you ever heard -- must have.

- 3 -

C: They're pretty good at that.

HMJr: Yeah. I don't like Wei, frankly.

C: Well....

HMJr: I don't trust him.

C: they're pretty hard to deal with -- both of them.

HMJr: Yeah.

C: Yes, sir.

HMJr: Well, just as long as we stick together, ~~if~~ they can't drive a -- make any trouble.

C: That's why we wanted you to have somebody up there because as we unfolded our story, if there were any differences whatsoever, why, we could reconcile them right there so that the Vice President would know that we had a united picture.

HMJr: Thank you for the invitation. I'll accept it.

C: Thank you very much, sir. Bye.

May 19, 1944

The Chinese Ambassador called on me and gave me this letter from H. H. Kung. Then he gave me this Aide Memoire which he received from H. H. Kung yesterday. I said we would study this thing and get in touch with him next week.

I asked him if he had seen the President since he was back and he said yes, he had. I said, Well, somebody has given the President a lot of wrong information about foreign exchange and the black market situation.

He tried to explain this Aide Memoire to me, but I could not understand it and I told him so and I said I would have to study it and I would give him an answer in writing. The reason I did this was the last time I saw him he misquoted me back in China.

Photostat of letter from H.H.Kung and a carbon copy of the Aide Memoire given to Dr. White, per Secretary's instructions.

Photostats of the letter and AideMemoire given to Dr. White for General Clay, per Secretary's instructions.

國民政府財政部
MINISTRY OF FINANCE.
NATIONAL GOVERNMENT.
CHINA.

Private & Confidential

Chungking, April 19, 1944.

The Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
The United States Treasury,
Washington, D.C., U.S.A.

Dear Mr. Secretary,

I am in receipt of your letter of March 14 and am taking the opportunity of Ambassador Wei's return to send you a reply. Needless to say I profoundly appreciate the contribution made by the Americans associated with the Stabilization Board of China to Sino-American financial cooperation and understanding and am sure that your representative in Chungking and our representatives in Washington will continue to serve the same cause as effectively as before.

Ambassador Wei and Mr. T.L. Soong reported to me your conversation at the farewell dinner you gave them immediately prior to their return, in which you asked them to convey to me your desire for a speedy settlement of the question of U.S. Army expenditures in China. I deeply appreciate your concern over this matter and, therefore, would like to take this occasion to mention that the problems to which I called your attention in my communications to you of January 24 and February 6 have increased, are increasing, and in all likelihood will continue to increase, in acuteness and severity. China's economic difficulties have now become almost her

國民政府財政部
MINISTRY OF FINANCE.
NATIONAL GOVERNMENT.
CHINA.

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major problem and preoccupation, and it would be impossible to maintain our armies in the field and to prosecute the war against the common enemy without the maintenance of confidence in our currency which has become increasingly threatened and undermined by the exigencies of war and the unique obstacles in our path. We had all been hoping for the removal of China's blockade some time in 1944, but now that appears to be a remote contingency and no immediate relief can be expected from that quarter.

However, despite great difficulties created by the shortage of notes, which have already compelled us to restrict cash outpayments by the banks for commercial and industrial purposes, we are doing our best to keep the U.S. Army supplied with notes so that their activities can continue without interruption. It is to be regretted that we have not yet been able to arrive at an agreement with the American Army authorities here as to the conversion rate for U.S. Army expenditures in China. Nevertheless, we are resolutely determined that nothing should be allowed to interfere with the present and contemplated operations of the U.S. Army in the China Theatre. We have therefore continued to advance all the Yuan needed to cover U.S. Army requirements in spite of the absence of such an equivalent in U.S. currency and in spite of the fact that except for the US\$25 million received in March, we have not received any U.S.

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dollar counter-part of the Yuan which we advanced. Over 10 billion Yuan was paid out by the National Treasury, Ministry of Finance, up to the end of March. A further 7 billion Yuan was advanced by the Central Bank of China, of which 4.2 billion Yuan was for the construction of airfields and 2.25 billion Yuan for the account of the U.S. Army in China. I am appending a detailed list of these expenditures for your reference.

However, we should be courting disaster if we continue to issue currency notes for U.S. Army needs without at least a minimum replenishment of our reserves in foreign exchange, gold and silver. The U.S. Army would appear to overlook this consideration in desiring that we furnish it with Yuan on terms involving a sharp revision of the exchange rate. Were we to accede to this desire to revise the rate at 100 Yuan to 1 U.S. dollar, we would be depreciating our currency by 500 percent which would be fatal in our present situation. The psychological effect alone of such a sharp reduction in the exchange rate would be very serious and would, of necessity, lead to a rise in prices and dangerous loss of confidence in the Yuan. Since the basic idea behind the plan for a United Nations Monetary Conference, which is being prepared under your leadership, is sound money and stable exchange rates, I am sure you appreciate the reasons why we are unable to

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take steps to depreciate our currency.

We are not making any request for a new loan because we are well aware of the difficulties that may encounter in granting of a loan at the present time. We are doing our best to contribute our share in facilitating the work of the U.S. Army in China by advancing large sums for the payment of construction and other activities, and by providing land for the construction of airfields. As President Roosevelt has informed President Chiang, the United States, in order to cover all of its military expenditures in China, including such maintenance as well as construction, is prepared to place to China's account the U.S. dollar equivalent of any Chinese funds made available under general arrangement with U.S. representatives in China. The only difficulty in the way of our reaching full agreement in current negotiations is the rate of conversion. Since, for reasons stated above, we cannot depreciate our currency, we have been trying to find other ways of solving the problem. My basic approach to this whole matter is that it is not a subject for bargaining. We have already fought shoulder to shoulder for over two years. We have shared considerable sacrifices and, I am sure you agree with me, we should each contribute according

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to our capacity for the common victory.

I wish to convey my best wishes for your continued good health. With kindest personal regards.

Yours sincerely,



H. H. Kung

Table of Total Payments Made by the Chinese Government at the Request of the United States Army Authorities (From September, 1942 to April 19, 1944).

A) Paid out by the National Treasury, Ministry of Finance.

1.- For construction of airfields.	Yuan 8,018,932,286.25
2.- For construction of barracks for Composite Wing in Air Force.	355,580,500.00
3.- For War Area Service Corps expenditures (mostly board and lodging for U.S. Air Force in China).	1,483,407,953.78
4.- For transport of U.S. Air Force supplies.	404,442,917.92
5.- For the improvement of roads at specific request of U.S. Army authorities.	615,896,800.00
Total	Yuan 10,878,260,457.95

B) Advanced by the Central Bank.

1.- Advanced for the construction of air bases:-

(a) March 11, 1944	Yuan 1,743,000,000.00
(b) April 7, 1944	1,000,000,000.00
(c) April 14, 1944	1,503,000,000.00
(d) April 19, 1944	520,000,000.00

2.- Advanced for the account of the U.S. Army:-

(a) February 10, 1944	Yuan 1,000,000,000.00
(b) March 6, 1944	1,000,000,000.00
(c) April 15, 1944	250,000,000.00

Total Yuan 7,016,000,000.00

GRAND TOTAL --- Yuan 17,894,260,457.25

AIDE MEMOIRE

To meet the requirements of the United States Army in China the Chinese Government has advanced in toto the sum of eighteen billion yuan.

The United States Government has signified its intention of paying for its military expenditure in China which is greatly appreciated by the Chinese Government. As a basis of settlement of the funds advanced by the Chinese Government, United States Army representatives in China have made proposals at different times since February for the conversion rate to be fixed variously at: U.S. \$1 to 100 yuan, 200 yuan, 120 yuan, and 150 yuan. The Chinese Government, however, is unable to consider these proposals to alter the exchange rate of 20 yuan to one U.S. dollar, because the lowering of the exchange rate under the present circumstances would further undermine confidence in Chinese currency, as well as stimulate the rise in commodity prices.

The Chinese Government, therefore, suggests the following solutions:

- (a.) The agreement for Reverse Lend-Lease as proposed by the United States and agreed to by China shall be signed and implemented as soon as possible.
- (b.) China undertakes to pay for land needed for the construction of air fields.

(c.) China

- (c.) China undertakes to pay for the food and lodging of the United States Army in China, such payments to be credited under Reverse Lend-Lease.
- (d.) For United States Army expenses other than those covered in (b) and (c) above, the Chinese Government offers the following alternative solutions:-

- 1.) China shall contribute twenty yuan as Reverse Lend-Lease, in addition to twenty yuan exchanged at official rate for every United States dollar credited to China. China is further prepared to raise such Reverse Lend-Lease contribution to forty yuan for each United States dollar placed to her credit.
- 2.) Alternatively, if the above arrangement (d.l.) is considered not satisfactory, the Chinese Government shall be prepared to permit the United States authorities in China to sell in open market United States currency notes, United States Government bonds, gold, and commodities for the purpose of
securing

securing Chinese currency needed to meet United States Army expenditure.

The Chinese Government also believes that the most effective measure of controlling inflation in China is increased importation of commodities for daily use, especially if such importation is combined with the arrangements under (d. - 1 or 2)

It is to be observed that for every yuan issued, the Chinese Government and banks assume the obligation of its redemption according to law. In comparing China's present foreign exchange accumulation to the amount of yuan issued China's exchange reserve is infinitesimal and far below her minimum requirements, not to mention China's post-war needs for rehabilitation and reconstruction, and her monetary stability which especially needs assistance. Hence any appreciable increase in China's foreign exchange and reserve would greatly mitigate her difficulties and be of vital importance to development of American trade with China.

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19 May 1944

REVIEW OF CHINESE EXCHANGE SITUATION

1. The exchange situation in China first was brought to the attention of the War Department by General Stilwell early in 1943, at which time he reported that the official rate of exchange of 20 to 1 was not realistic, inasmuch as the open market rate at that time was around 40 to 1 and increasing rapidly. He called attention to the fact that with the large expenditures contemplated by the Army, definite steps should be taken to have a new official rate established.

2. The official rate of exchange of 20 to 1 was established in August 1941 and has been supported by the U. S. Government as a measure of making effective the stabilization agreement entered into with China at the same time. This stabilization agreement expired in January 1944.

3. When the matter of the rate was first reported by General Stilwell the Treasury Department was requested to give some consideration to having the Chinese effect a change in the rate and during the latter part of 1943, that department endeavored to obtain some relief in the matter. These efforts included a change in the official rate, the granting of a special rate to the United States or the sale of gold at an advantageous price to use the proceeds to decrease the excessive costs of the War Department's expenditures in China because of the unrealistic rate.

4. With a knowledge of the State and Treasury Department and undoubtedly with the full knowledge of the Chinese Government, the War Department has been paying its personnel in China U. S. currency and permitting that personnel to go into the open or black market and purchase Chinese currency at any available rate. Later, the State and Treasury Department requested the War Department to ship United States currency to China for use in paying personnel and operating expenses. The War Department has been reluctant to having its soldiers dealing in black market operations, but for morale purposes, it could not do other than authorize such a procedure in view of its failure to find other means of giving its men in China sufficient local currency to offset the unrealistic exchange rate. In addition to the morale factor, there has been the ever increasing expenditures by the War Department for supplies and construction.

5. Failing to secure relief through a change in the official rate, the War Department, early in 1943 felt the need for a reciprocal Lend-Lease agreement with China and the Chinese Government indicated that they may be willing to enter into such an agreement. Accordingly, an agreement was drafted for submission to the Chinese. In view of the exchange situation and the fact that the Treasury Department expressed the view that efforts up to that time to secure a better official rate of exchange had proved fruitless, it was decided to include in the reciprocal Lend-Lease agreement, in addition to the provisions to direct aid in kind, a section to the effect that the Chinese Government would provide funds in Chinese currency to be used by the U. S. in direct purchase of supplies, materials, facilities and services in lieu of reciprocal aid in kind and to meet the essential governmental and military needs for Chinese currency. The understanding was that this currency received under the agreement could be used in reducing the excessive cost to the U. S. of expenditures for personnel and other purposes on account of the unrealistic Chinese exchange rate.

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This reciprocal Lend-Lease agreement was presented to Dr. Soong, Foreign Minister of the Chinese government by the State Department in Washington in May 1943 with a memorandum explaining the purpose of the financial provisions thereof. The agreement was submitted to General Stilwell in China and was concurred in by him in view of the apparent impossibility of securing a proper exchange rate.

6. In October 1943 General Somervell visited Chungking. He was advised by General Stilwell that delays occurring in construction necessitated direct contractual expenditures by United States forces. The artificial exchange rate of 20 to 1 as compared with a black market rate of 120 to 1 was resulting in exorbitant costs. General Stilwell believed that a better arrangement was essential to our planned operations. General Somervell, with the knowledge and consent of the Ambassador, proposed to Dr. Kung, subject to ratification by the U. S. authorities in Washington, that the Chinese Government make available to our forces the requisite Chinese currency to support these forces and the military construction under one of two alternatives:

a. The United States would deposit to Chinese account in the United States \$1 U.S. for each \$100 CN furnished, this deposit to be credited against an official exchange rate of 20 to 1, with the remaining \$80 CN to be a contribution of the Chinese Government to our joint war effort (this arrangement would proceed publicly the 20 to 1 artificial rate); or,

b. The Chinese Government would provide the requisite funds with the United States depositing to Chinese account \$1 U.S. for \$20 CN of each \$100 CN made available, the remaining \$80 CN to be provided under a reverse Lend-Lease agreement.

Dr. Kung appeared to view these proposals as feasible and promised to place them before the Generalissimo for approval.

7. Shortly after General Somervell's return to the United States in November, and before the proposals could be carried further, the Cairo Conference was held. The Generalissimo attended this conference. It is understood that he was advised that the United States was prepared to bear the cost of its military effort in China. It is not understood that the question of exchange rates was considered. Subsequent to the conference, as indicated in the report of Ambassador Gauss, January 16, 1944, the Generalissimo in a message to the President urged that a loan of \$1,000,000,000 U.S. be made to China, or that, otherwise, the United States assume full responsibility for its expenditures in China at a 20 to 1 rate.

8. The Treasury Department was then negotiating with the Chinese Government with a view to transporting gold to China for purchase of Chinese currency in the open market to control inflation and to secure a better exchange rate. These negotiations did not appear to be progressing rapidly. The Secretary of Treasury recognizing the urgency of the airport construction program authorized the War Department to proceed with its own negotiations.

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Representatives of the State Department concurred in this arrangement. Our military representatives were authorized to advise the Chinese that the United States was prepared to accept full responsibility for its military expenditures subject to the establishment of a reasonable exchange rate which would have some relationship to the actual purchasing power of the Chinese dollar. On 15 January our Commanding General in China and State Department representatives were advised to press for an early completion of a reverse lend-lease agreement concurrently with an agreement to be presented by military representatives with respect to the funds to be made available by the Chinese Government to cover our military expenditures. The military representatives were advised to keep in constant touch with the State Department and Treasury Department representatives so that any action taken in Chungking would be jointly understood. Mr. Edward C. Acheson was sent to China to assist the Commanding General in presenting the proposed fiscal arrangement.

9. In reply to the Generalissimo's request, referred to above, the President urged the acceptance of the proposal submitted by our military and diplomatic representatives. It is to be noted that the authorities in this country were in agreement that there was little merit in the proposed loan to China.

10. Our military and diplomatic representatives proceeded with the negotiations. In the latter part of January estimates became available with respect to the substantial construction costs involved in the new airport projects. Meanwhile the black market exchange rate had continued to advance and payments in American dollars at a 20 to 1 rate would have become astronomical in comparison to the value received in work. The War Department would have found it necessary to have requested additional funds for the purpose from Congress and was apprehensive that the exorbitant costs would have serious repercussions. Again on 24 January our military representatives were advised to maintain a firm stand, but to inform the Chinese Government that the United States was prepared to place to Chinese account the U. S. dollar equivalent of any Chinese funds made available under general arrangements which they would suggest to the Chinese Government.

11. Dr. Kung was designated by the Generalissimo to receive the United States' proposals. Our representatives proposed as an interim measure that the United States would purchase \$1,000,000,000 CN at the rate of 40 to 1 through the deposit of \$25,000,000 U.S. to Chinese account in this country. The Chinese Government would add \$1,500,000,000 CN to this account. This proposal would have established an interim exchange rate of 100 to 1. The Chinese Government did advance the first funds and the \$25,000,000 U.S. in payment thereof was deposited to Chinese account. However the Chinese Government did not accept the proposal as a continuing measure. On 3 February Dr. Kung made a counter-proposal to continue the official exchange rate of 20 to 1 with the Central Government contributing \$10 CN more for each \$1 U.S. under reverse lend-lease. Our representatives turned down this proposal. They advised us on 12 February that they could see no benefit in further proposals. However, Dr. Kung was asked to advance \$1,000,000,000 CN per month during the remainder of the negotiations with the repayment rate to be decided during negotiations.

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12. Report of expenditures at this time indicated that our own expenditures in China had increased from \$400,000 in January 1943 to \$23,000,000 in December. Estimates for airport and other construction indicated a requirement of approximately \$2,500,000,000 CN monthly. Payment for these funds at a 20 to 1 rate as compared with the proposed 100 to 1 rate would have resulted in an annual premium to the Chinese Government in excess of \$1,000,000,000. However, the proposed rate of 100 to 1 was still below the real purchasing value which was more adequately expressed by the black market rate which had reached 150 to 1. On February 20 General Stilwell was advised that he must continue to take a firm stand while still expressing the willingness of the United States to bear full costs at a reasonable exchange rate. On February 25 we were advised by our military representatives that Dr. Kung had asked for \$20,000,000 U.S. to be flown to China as an advance to the Chinese account with the rate to be determined later. These funds Dr. Kung proposed to use for the purchase of Chinese currency in the black market in an effort to drive down the black market rate. At the suggestion of our representatives, and with the approval of the Treasury Department, this money was flown to India in the understanding that \$5,000,000 U.S. was to be made available to the Chinese Government to test the effect of the proposed purchases prior to utilizing the full amount. These funds have not as yet been turned over to the Chinese Government as our representatives on the ground felt that the transfer might prove detrimental in view of the existing status of negotiations.

13. On March 2 our representatives advised us that the Chinese Government had agreed to furnish not to exceed \$5,000,000,000 CN per month to our forces provided the requisite money in Chinese currency was shipped from the United States, with March and April requirements to be shipped by air. Arrangements were made to meet this request.

14. During the period of negotiations the construction work has been proceeding satisfactorily. As our proposal with respect to the deposit of \$25,000,000 U.S. per month to the Chinese account in the United States in exchange for \$2,500,000,000 CN had not been accepted by the Chinese Government, only the initial deposit was made. Since we were obtaining all of the funds needed without an exchange commitment, our representatives in China believed it undesirable to submit further proposals to the Chinese. They awaited counter-proposals from the Chinese Government. On May 7 our representatives advised us that the Chinese were pressing hard for a financial agreement at a 60 to 1 rate, \$40 CN of each \$60 CN furnished to be credited as reverse lend-lease. As the black market was continuing to rise, our representatives were unwilling to accept this offer and insisted on a three months' agreement for a rate of 150 to 1. Our representatives in the field reported that the Chinese Government would make a direct appeal to the United States.

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15. It is important to note that the Chinese Government has needed considerably from its stand taken in 1943, and from its even more adamant stand taken in December 1943 and January 1944, as a result of the firm position taken by the United States. While the work undertaken by the American forces and payment therefor may aggravate the distress of the Chinese economy, it is very doubtful if its influence on the inflation difficulties is a major contributing factor. In local areas where work is being carried on, our expenditures will have more serious effect on inflationary difficulties than elsewhere, but even there our expenditures are not the primary cause of their economic disturbance. In any event, it is difficult to understand the effect of the rate of exchange on this economy as the United States funds made available to China would accumulate as a credit to be drawn against after the war. It would be difficult to justify an artificial exchange rate which would make the cost of American participation in the war in China out of all proportion to the actual value of the work received, particularly taking into consideration the relatively low cost of labor in China as compared with the United States.

16. The extent of United States aid to China must also be taken into consideration in determining the exchange rate which is to be accepted. Lend-Lease aid to China has aggregated more than \$400,000,000 U.S., although some of the Lend-Lease material is still stock piled in India as transportation has not been available for its movement into China. At a realistic rate, this Lend-Lease expenditure alone is equivalent to \$60,000,000 CN.

In addition thereto, the Treasury Department granted a credit to the Chinese Government of \$500,000,000 U.S. in March 1942 against which \$243,000,000 has been drawn at the end of 1943.

The Foreign Economic Administration will have purchased in China from 1941 through June 1944 approximately \$48,000,000 U.S. which at the official rate would purchase \$960,000,000 CN worth of merchandise (strategic materials). At a realistic rate of 100 to 1 as a conservative average for the period, these purchases would have cost only \$9,600,000 U.S. This means that over the period the Chinese Government had been benefited as a result of the unrealistic exchange rate by a premium of \$38,400,000 U.S.

Likewise, our forces in China have expended for the period 1 January 1943 to include February 1944 a total of \$155,550,000 U.S. which at the official rate of exchange total \$3,111,000,000 CN. Expenditures during the month of March and April 1944 have been on the basis of the new agreement, whereby the Chinese advanced to us the currency required for our needs and we in turn deposited U. S. currency to the credit of the Chinese Government in such amount as the Commanding General, U. S. forces reports as properly due.

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The total amount reported by the Commanding General, U. S. Forces under this agreement to have been received up to April 23 is \$7,680,000,000 CN. (How much of this should be credited as a Chinese contribution to the war effort, and how much the United States Government is expected to reimburse the Chinese cannot be determined in Washington at this time in view of the fact that negotiations in this respect are being carried on by General Stilwell in China.) This is a total expenditure in Chinese currency to date of \$10,791,000,000 CN. This would cost the U. S. at the official rate of 20 to 1, \$539,550,000 U. S. whereas at a realistic rate of 150 to 1 it would cost only \$72,000,000. This means that the U. S. pays a premium on these expenditures of \$467,550,000 due to the unrealistic rate.

Dr. Kung in a letter to the Secretary of War has reported Chinese expenditures during part of February and all of March and April as aggregating \$7,016,000,000 CN. The Chinese state, however, in addition to this amount the Chinese Government has paid out since September 1942 for construction of airfields, barracks, air force supplies and improvement of roads at the request of the United States authorities a total of \$10,878,260,457 CN.

While the cost of the services furnished the United States Forces in China cannot be verified, his estimate of construction cost in 1944 of \$7,000,000,000 CN is in agreement with our own figures. The United States has deposited against this advance of \$7,000,000,000 CN the sum of \$25,000,000 U.S. to Chinese credit in the United States.

17. In view of the large sums involved and the continuing expenditures, it is apparent that the agreed exchange rate may have a decided influence on military operations and on military planning. While it is desirable for a firm agreement to be effected at the earliest possible date, the importance of such agreement to contemplated military operations warrants its careful consideration in Washington before it is accepted formally. It is suggested, therefore, that any arrangements which may be proposed in Chungking be tentative until their effect on military operations can be studied by our Government in Washington so that all factors may be taken into consideration. It is apparent that the American position has constantly improved during the progress of the negotiations as a result of the firm stand taken by all of our representatives working in close agreement. Meanwhile, military construction has proceeded without delay.

May 19, 1944
12:05 p.m.

APPOINTMENT OF BRITISH TREASURY REPRESENTATIVE

Present: Mr. White

H.M.JR: I just had a call from General Clay. They say they are going to go up to see the Vice President at three-fifteen; so there can be possibly no misunderstanding on what they tell the Vice President, they want somebody from the Treasury present.

I kind of hemmed and hawed. Well, they would like somebody there. So I said I would ask you to go back up there. And I said at that time you would give him a copy of the stuff which Miss Chauncey has from you which now comes from Kung.

MR. WHITE: Something new?

H.M.JR: Brand new.

So you be sure you have copies. Are you busy at three-fifteen?

MR. WHITE: No, but Wallace will think it is awfully funny.

H.M.JR: So they wouldn't tell him anything different. They said they are going up there to brief him and be sure what they are telling him is satisfactory to the Treasury.

I said, "Where does George Harrison get in this picture?"

He said, "He is a personal advisor to Mr. Stimson, and only in the last day or two has he been in on it." Well, so much for that.

Do you want to say something about China?

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MR. WHITE: No, there is nothing.

H.M.JR: Well, I will tell Chauncey.

MR. WHITE: I think it is quite possible he might want to speak to them alone without my being along.

(The Secretary holds a telephone conversation with Miss Chauncey.)

H.M.JR: You can call him up and tell him what happened.

Now, Lord Halifax came in and gave me this note, which says that they are going to go ahead and send Mr. Brand here to represent the British Treasury.

MR. WHITE: You were right, weren't you?

H.M.JR: So I pointed out to him that in this memorandum it shows that the French firm has a twenty-percent interest in the London firm. And I pointed out to him that the French partners are here now in control of New York.

The memorandum makes the point that New York has no control over London. So I said, "Well, the French partners are here, and they now run the show," and so forth.

He said, "Well, I have had a communication from Mr. Churchill on this. Mr. Churchill wanted this to go through." So he wanted to assure me--Mr. Halifax did--that Mr. Brand was just as honest as he was, and I would please receive him without prejudice.

So I said, "Well, I am disappointed in the memorandum, but I really shouldn't be, because I knew that you would go through with this just as you have." And I said, "After all, I spoke once before to your Government about sending Mr. Monnet over here as deputy to Purvis, and Mr. Churchill went right ahead and did it anyway. So I am just going to have to start with this handicap."

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"Well now, what I don't want you to do--won't you let Mr. Brand make good?"

I said, "I don't know you, Lord Halifax, very well, but I am sure you have certain prejudices which you mother and father taught you. I don't know what they are. But I have definite prejudices against firms like Lazard Freres and J. P. Morgan." And I said, "Thanks to me, neither of them have had anything to do with the war. So there is no criticism against your Government or my Government. I can't change my prejudices."

I said, "You told me when you were here that Mr. Brand was not going to go back to work for Lazard Freres of London when the war was over."

"No," he said, "I didn't say that. I thought he wouldn't go back."

I said, "Do you know?"

He said, "I don't know."

I said, "Well, if you would tell me he wasn't going to go back when the war is over, that would influence me greatly."

He kept repeating that he gave his word, and so forth.

I said, "I have great confidence in you, Mr. Ambassador, but I cannot change my prejudices any more than you can change yours."

MR. WHITE: That is very good. Do you know what his prejudices include?

H.M.JR: I looked him right in the eye and I said, "This is what I just expected that your Government would do!"

MR. WHITE: Well, I think you handled Halifax the way he should be handled.

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H.M.JR: I looked him right square in the eye and said, "I knew this was what you would do. You are just making it that much more difficult for me. It is difficult enough, and after the armistice, with our selfish businessmen and your selfish businessmen both trying to make money, it is going to be very difficult to keep the two Governments on the present basis."

MR. WHITE: It is an amazing performance, that after your statement for a man to represent the Treasury here that they should come forward. I doubt whether there is a precedent, certainly in our dealings with any country--but you expected it; I didn't.

H.M.JR: I told you they would send him.

MR. WHITE: That is right, you did. I am glad you spoke to him the way you did, and I think that is the way to handle it.

H.M.JR: He kept saying, for his sake, wouldn't I give him a chance to get into my confidence on his own.

So I said, "Well--" he didn't tell me what his prejudices were, but I think--

MR. WHITE: I think it is an excellent point. He remembers.

H.M.JR: I said, "You will remember. They will come to your memory."

"Oh, yes," he said, "I have my prejudices."

I said, "Unfortunately every time a German would want to see me on some special mission, I wouldn't see him." I was right. I said, "There is somebody right in our own Government that I asked them to get rid of two years ago," and I said, "Unfortunately I am right. My intuitions too often have been right on these things." I had Batt in mind.

MR. WHITE: All of this will be related to Brand. He will be at a disadvantage, which will be all right.

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H.M.JR: Oh, yes. We will get off to a wonderful start. Oh, yes. But these people--it is this ruling class of England, of which Churchill is one, and of which Mr. Halifax is another, Mr. Brand is another--the senior partner of whatever it is--he was managing director, and the other partner is in charge of the war bond drive. At the top they evidently haven't learned anything.

MR. WHITE: No, not very much.

H.M.JR: I felt like saying to him--I was very careful--well, I said enough--"Mr. Halifax, when you went to Munich" I felt like saying--

MR. WHITE: I am sure he got the full implication of the prejudices. I am sure you talked to him the way no one else here does. If everybody did, it would be much better.

H.M.JR: They say Hull talked that way to him and yelled his head off in the morning and then gave in in the afternoon. You know that story on that Spanish business?

MR. WHITE: No.

H.M.JR: They said he talked terribly to him in the morning and then in the afternoon gave in.

MR. WHITE: So Mr. Brand will be here?

H.M.JR: Yes. Oh, boy!

TOP SECRET.

Personal message from
Sir John Anderson for Mr. Morgenthau.

I have had an opportunity of studying an account from our Ambassador of your preliminary reactions when he informed you in advance of our intention to appoint Mr. R.H. Brand, now for some three years past head of British Food Mission in America and the United Kingdom representative on Combined Food Board since its inception, to be Treasury representative in Washington, the post previously held by the late Sir Frederick Phillips.

I thank you for the frankness with which you confided your difficulty to the Ambassador and I am anxious that there should be no misapprehension of the facts.

The firm of Lazard Brothers & Co. Ltd. in London of which Mr. Brand has been a managing director neither has, nor has ever had, any financial interest in Paris and New York firms. The Paris firm which when the War commenced still financially controlled the New York firm, at one time also financially controlled London firm. But that ceased to be the case after the last War and since 1939 the French interest in the London firm has been limited to 20 per cent. The business transacted between Lazard Brothers & Co. in London and New York firm is now practically nil and has been small for years. It is the case also that Mr. Brand has been detached from active participation in London business ever since he entered the service of His Majesty's Government.

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If there were grounds for doubting the entire trustworthiness and integrity of Mr. Brand in the conduct of even the most confidential transactions, this as I am sure you will agree would immediately reflect not only upon the propriety of his selection as Treasury representative but equally upon his continuing to hold any high office under the British Government in Washington.

But on the contrary Mr. Brand is well known in this country as a man in whom His Majesty's Government can place entire confidence. He has been known personally to the Prime Minister and to other members of the Government over many years as a figure of considerable integrity in business life. I have no doubt therefore that he will gain your confidence as he has always had ours.

Mr. Batt resigned as a Director
of American Bosch on March 5, 1941

(This information requested by the
Secretary)

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date May 19, 1944

TO Miss Chauncey
FROM Mr. Luxford

Re: Batt's Relation to American Bosch

You inquired as to whether William L. Batt had been trustee of the stock in American Bosch which we concluded was actually German owned or controlled. Mr. Batt was never trustee for such stock. However, he was appointed a director of American Bosch in 1938 from which position he resigned on March 5, 1941.

George Murnane of the firm of Monnet, Murnane and Co. was the voting trustee of the Swedish (German) interests in American Bosch.

Mr. Batt was appointed voting trustee for the Swedish interests in American SKF early in 1941. George Murnane was appointed voting trustee for the Swedish (German) interests in American Bosch in May 1940.

APL

AA
May 19, 1944MEMORANDUM FOR THE SECRETARY'S INFORMATION

This memorandum confirms my statement to you Wednesday over the telephone.

Since the blocking of Sweden in 1941, dividends and earnings of both SKF Steels, Inc. and SKF Industries, Inc., have been customarily paid into a blocked account in the National City Bank of SKF Gothenburg, Sweden. SKF Gothenburg would then transfer the funds to Sweden under the Swedish General License. For example, the amount credited to its account in December, 1943 was transferred under the Swedish General License by SKF Sweden to the account of Skandinaviska Bank.

The dividends paid by SKF Industries, Inc. to SKF Gothenburg during the last two years were as follows:

\$620,400 in December, 1942

\$517,195 in December, 1943

The dividends paid SKF Gothenburg by SKF Steels, Inc. were \$50,000 November, 1942 and \$50,000 December, 1943.

AA

List of those attending network meeting
and luncheon, Friday, May 19th.

Secretary Morgenthau
D. W. Bell

NBC

William S. Hedges, Vice President in charge of Stations
Clarence Menser, Vice President in charge of Programs

CBS

Douglas Coulter, Vice President in charge of programs
Roy Langham, Co-ordinator of programs
William Robson

BLUE

Charles Barry, Eastern Program Manager
Phillips Carlin, Vice President in Charge of Programs

MBS

Tom Slater, Director of Special Events

OWI

George Ludlum, Chief Domestic Radio Bureau
John Hymes, Deputy Chief, Domestic Radio Bureau
Brooks Darlington, Deputy Director, Domestic Branch
Harold Stone, Program Manager

TREASURY

Ted R. Gamble, National Director, War Finance Division
Thomas H. Lane, Director, Press, Radio and Advertising
Maurice H. Kafka
Fred Smith
Mrs. Morgenthau (?)
Arch Obler, Free Lance Script Writer

PROGRAM OF INVASION ACTIVITIES

151

ADVERTISING

*from Mrs. Gaudin
Lunch 5/19/44*

I. NEWSPAPERS

- A. Six full page newspaper advertisements are now being prepared and engravings are to be distributed immediately to New York, Chicago and San Francisco. As soon as invasion news reaches us we will prepare specific on the spot copy for these advertisements, to be teletyped to suppliers in the above cities. Mats will be mailed within twelve hours to newspapers all over the country.
- B. All of the advertisements distributed for the Fifth War Loan Drive are now being over-hauled with a view toward having some of these rewritten to include specific details about invasion.
- C. On D-Day, wires will be sent to all newspapers which will contain copy for an all-type ad. This ad will be written the moment news of landings reach us and among other things will point out the significance of the relation between invasion and War Bond sales.
- D. We will include in the above wire information on the new series of invasion ads to be sent to the newspapers.

II. Outdoor

The two Fifth War Loan designs, one donated and the other for local sponsorship carry the slogan "Back the Attack". We are printing new overlays with the word "Invasion" so that in each case the "Attack" can be changed to "Invasion". These overlays will be distributed country wide and can be posted very rapidly.

III. Posters

- A. The Eisenhower poster is partly printed, awaiting last minute caption. When this becomes available, sheets can be printed overnight and mailed to all parts of the country within 24 hours.
- B. Window streamers will be prepared to give the effect of a spot news announcement. This can be done in large typewriter type and will bear a message of urgency.
- C. An extra point of sale poster will be printed along the lines of the window streamers mentioned above.

PRESS

I. Policy Guidebook to all NEWSPAPERS

- A. This guidebook will be mimeographed and will contain a letter from the Secretary indicating policy. We will also include page one

editorials, boxes and other ideas.

- B. In the same telegram to newspapers mentioned under advertising we will include suggestions for timely editorials, invasion picture captions and a feature story.

II. Wires urging complete cooperation will be sent to

- 1. Editors
- 2. Cartoonists
- 3. Editorial writers

III. Field Publicity men will be instructed by wire to follow through on all local media and will be furnished complete program of national policy and promotion.

IV. Special Overseas Service

Publicity contact will be arranged with War Intelligence transmitting and receiving messages from various states to Division Commanders with direct word on the progress of the campaign in the various states, with replies from the front.

RADIO

I. Network

- A. Half hour network show is being planned with cut-ins by correspondents or service officials from the battlefronts, stressing tremendous amounts of material necessary for invasion, and War Bond "sales" summary by Secretary Morgenthau, translating material needs into war financing requirements.
- B. Network commentators at home and overseas will refer to Fifth War Loan campaign in their reports.
- C. Networks will be asked to have special broadcast on D-Day picking up various high government officials in Washington at their desks and giving their views on how the sale of War Bonds will help the invasion.

II. All Stations

- A. NAB will send wire to all stations urging tie-up.
- B. Special packet to all stations.

III. Treasury Star Parade Transcription

- A. Script is being written now, and planned, with exception of last minute details, ready for actual production. To be cut immediately upon news of invasion.

IV. OWI

- A. Will increase allocation, to go "all-out" on Invasion Campaign.
- B. Will wire new policy to all network advertisers.
- C. Will contact all individual stations requesting 100% tie-up on announcements, local advertisers, etc.

V. Time Signals

- A. We will ask Gruen and Bulova for "6 o'clock invasion time ... Buy More War Bonds Now" time signal announcements.

VI. Network Bank Programs

- A. We will have available special set of invasion announcements for
 - 1. Guy Lombardo MBS
 - 2. Tommy Dorsey NBC
 - 3. Horace Heidt BLUE
 - 4. Little Jack Little BLUE

RETAIL

- I. National Retail Dry Goods Association has bulletined its entire membership, outlining the comprehensive Invasion Plan adopted by the Retailers of New Orleans.

This plan calls for use of specific materials, simultaneous with announcement of invasion, such as newspaper ads, posters and billboards, special streamers, special War Bond application blanks.

5719144
NATIONAL OPENING OF

5th WAR LOAN FROM

5TH WAR LOAN NEWSFRONT

TEXARKANA, U. S. A.

★ ★ JUNE 12, 1944 ★ ★

FOR IMMEDIATE RELEASE

Texarkana (Ark.-Tex.)-Texarkana, named for three states and straddling two of them, whose fighting sons blasted their way into Salerno, Anzio and other beachheads, will be civilian America's forum on June 12 from which Secretary of the Treasury Henry Morgenthau, Jr., will sound the call for D-Day on the home front.

From this comparatively small community, in reality two municipalities, Texarkana, Texas and Texarkana, Arkansas, the 5th War Loan battlescry, "Back the Attack--BUY MORE THAN BEFORE", will thunder to every hamlet and metropolis in the land.

For Bowie and Miller Counties, June 12 will be a day to be long remembered. The Governors of Texas, Arkansas, Oklahoma, Louisiana and New Mexico will be here to greet the Secretary of the Treasury. Business and industry, and civic leaders will play their important roles in a history-making program, designed to keynote the nation's effort to raise 16 billion dollars in a month, six billions of which must come from the pockets of individual Americans.

The ears of the fighting world, including millions of Americans now in life-or-death combat with the enemy, will be tuned to Texarkana, as a tiny radio station, KCMC, a Mutual affiliate, feeds the story to all America and by shortwave overseas.

For the first time, a war loan drive will be officially opened from a city other than Washington, D. C., when Secretary of the Treasury Henry Morgenthau, Jr. comes here to speak on a national program beamed to overseas listeners as well. The 5th War Loan Victory-cry "Back the Attack--BUY MORE THAN BEFORE" will emanate from a town of 50,000 population which has already started on its 5th War Loan attack.

The people here in Texarkana, famed gateway to the Southwest, are ready mentally and physically for that D-Day which draws ever nearer and which, when it comes, will carry with its eventual victory sorrow and tragedy into many a home throughout the nation. With 6,000 Bowie-Miller county men in the armed forces, the home folks are solidly entrenched not only through thousands of hours of work in the war plants of Red River and Lone Star and through millions of dollars in War Bonds, but also through countless hours in volunteer activity for the American Red Cross, the War Finance Division of the U. S. Treasury Department, and other war-allied agencies.

War plant absenteeism in this locality is at an absolute minimum, and with the man on the street and the woman in the home convinced that invasion is only the start on a long and rocky road to victory, the citizens here are worthy examples of an often-heard phrase, "We're doing pretty good but not good enough."

Public feeling is best expressed by the quotation by a local civic leader. "We have a good start. We must not lose what we have gained. We must produce more; we must fight harder; we cannot stop; it depends on us."

And because of the feeling that "it depends on us", advance pledges of bond purchases have been obtained already in War Bonds to the tune of one-tenth of the better than \$4,000,000 quota here with no let-up until the quota is reached, according to War Finance committee leaders.

A full schedule is already being planned for the official opening of the 5th War Loan here. Secretary Morgenthau is expected in Texarkana June 11. He will be met by governors of Arkansas, Louisiana, Texas, New Mexico and Oklahoma who will be here in connection with a meeting of the Gulf-Southwest Industrial and Agricultural Conference. The Secretary is scheduled to visit the Red River and Lone Star plants on June 12 and to review a parade of troops and Southwest War Bond workers. A colorful feature of the parade will be the massing of the flags of the United Nations and the 48 states.

Orson Welles, of radio, stage and screen will write and produce the program which will be broadcast in connection with the War Loan opening.

Texarkana, a colorful American background for the D-Day on the home front was selected as the 5th War Loan spearhead as a result of months of planning by the Texarkana, Bowie-Miller War Finance Committee. In the fall of 1943, Willard Simmons and James R. Bryant, chairmen, suggested to Congressman Wright Patman that a war loan be opened from the border city. Congressman Patman agreed to lay the groundwork in Washington and received adequate assistance from local and district war finance committees and war finance administrators in the region.

A major railroad center of the Southwest, Texarkana is an important industrial and commercial center built about timber, agricultural products and minerals... three vital war materials of the nation. Commercially one city, it consists of two separate municipalities (aldermanic in form) with two mayors and

two sets of councilmen and city officials. It has a cooperative arrangement for joint operation of fire department, food and dairy inspection service, sewage disposal, environmental sanitation and a supervised recreation program.

Its citizenry is largely composed of descendants of men and women who hewed a nation of a relatively small coastal region and then migrated west to spread the doctrine of the four freedoms farther inland. Originally the site of an Indian camp and located on an Indian trail which was much travelled by warring and friendly tribes in both directions, it has figured in the building of a nation. It has furnished its share of fighting men to wars in the past decades. Fifty of its sons are known to have been killed in action in the current global war and 26 more are listed as missing.

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Checked this with Seely
who said it had
been discussed today
and he gave them
hell.

Ted Gamble
Fred Smith

May 19, 1944

Secretary Morgenthau

I hope that you have budgeted the expenses of my various talks at Texarkana and Los Angeles and Chicago. If you haven't done it, please do it and submit the figures to me at once.

Treasury Department
Division of Research and StatisticsDate MAY 19 1944 1944

To: Secretary Morgenthau

From: Mr. Haas

As you will note from the attached review there has been little movement in the Government security market in recent weeks. There is some evidence, however, of invasion jitters which are not reflected in the quotations. Messrs. Shields and Woodward feel this rather strongly.

It seems to me, therefore, that this might be an opportune time for you to call Mr. Sproul for a general discussion of the market, emphasizing, in the course of your conversation, that the market should not be allowed to decline at all since any decline in the market would merely accentuate the jitters. A slight rise in the market, on the other hand, would contribute very materially to soothe the jitters and would provide a much better setting for the forthcoming Fifth Loan.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE MAY 19 1944

TO Secretary Morgenthau
FROM Mr. Haas *CH*
Subject Current Status of High-Grade Security Markets;
Canadian Sixth Victory Loan

I. No Recent Price Changes of Importance in
Government Securities

The market for Government securities has continued to move within a narrow range in recent weeks. Prices of taxable securities have declined from one to three thirty-seconds on the average in the past week. Short- and medium-term taxable securities are still near their highs for the year, however. Other sectors of the market have not fared so well, but most quotations are well above the year's lows, although the three longest term restricted issues are quoted only par bid.

II. Other High-Grade Securities Firm

Prices of high-grade corporate bonds are now at their highest levels since last October. Municipal bond prices, which reached all-time highs in February and again in March, only to decline substantially during the first part of April, have been firm in recent weeks.

III. Excess Reserves Up

Excess reserves of member banks on May 17, 1944, the latest weekly report date, amounted to \$936 millions, which compares with a recent low record, not equalled in more than 10 years, of \$630 millions on March 29 (Chart I).

Federal Reserve Banks acquired a total of \$559 millions of Government securities, net, during the week ended May 17, of which \$549 millions consisted of Treasury bills and the remainder of certificates. At the same time, member bank borrowing from the Reserve Banks advanced \$16 millions to \$152 millions, the highest on any statement date since August 30, 1933.

Secretary Morgenthau - 2

IV. Canadian Sixth Victory Loan Oversubscribed

Preliminary reports indicate that, when all returns are in, the Canadian Sixth Victory Loan, which opened April 24 and closed May 13, will be oversubscribed by \$200 millions. Latest subscription figures, reported on Wednesday, May 17, total \$1,356 millions against a goal of \$1,200 millions. This loan brings the wartime total of new money raised through public loans in Canada to \$7,200 millions, which, on the basis of population, is equivalent to about \$85 billions in the United States.

The details of the two issues offered in the Sixth Victory Loan are given below:

Coupon	1-3/4 percent	3 percent
Dated	May 1, 1944	May 1, 1944
Due	March 1, 1948	June 1, 1960
Callable	Not callable	In or after 1957
Term to first call	3 years, 10 months	13 years, 1 month
Issue price	100	100

The terms of these issues constitute a lowering of the rates at which the government is able to borrow, as compared with the previous loan -- the maturity of the 1-3/4 percent issue being 4 months longer, and that of the 3 percent issue being 11 months longer than the corresponding issues in the Fifth Loan.

V. Market for Canadian Governments Has Improved During War

The improvement in the market for internal Canadian government securities during the war period is indicated in Chart II. In the long-term sector of the market, the price of 3 percent perpetuals has risen, so that the yield has declined from 3.40 percent on January 13, 1940, which was the last trading day prior to the opening of the first Canadian public war loan, to 3.08 percent on April 22, 1944, the last trading day prior to the launching of the most recent public loan. In the short-term sector of the government security market, the rate on three-month Treasury bills has decreased from 0.78 percent on the offering nearest the January 1940 war loan, to 0.39 percent in April 1944. The Sixth Victory Loan issues are shown on the chart.

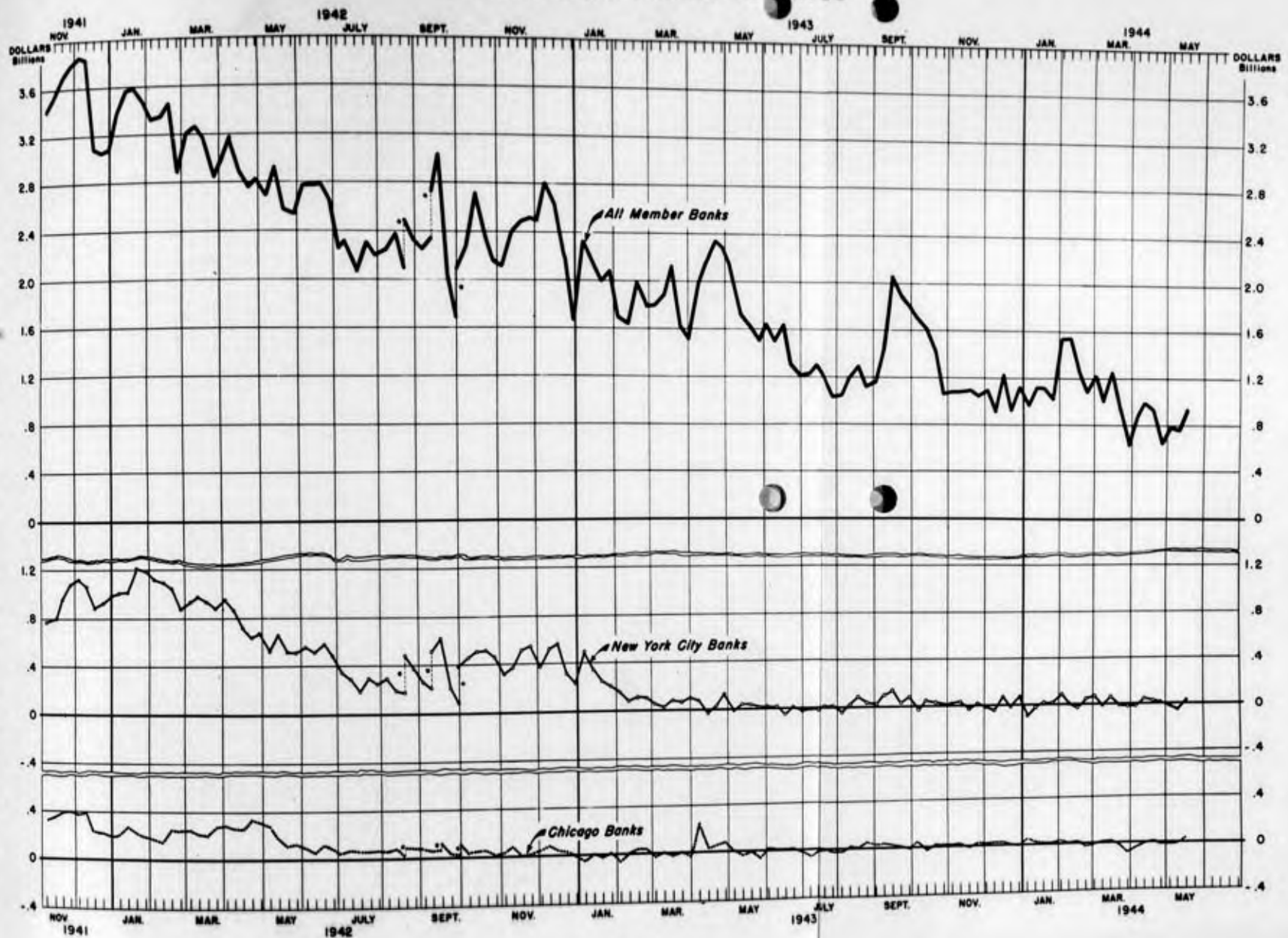
Secretary Morgenthau - 3

Canada's growing economic strength and her effective handling of fiscal problems is likewise reflected in the improvement in the market for external bonds. Bonds payable in American dollars in New York, have recovered from the sharp fall in September 1939 and are now selling at or near the high levels prevailing in the months preceding the outbreak of the war.

Attachments

Chart I

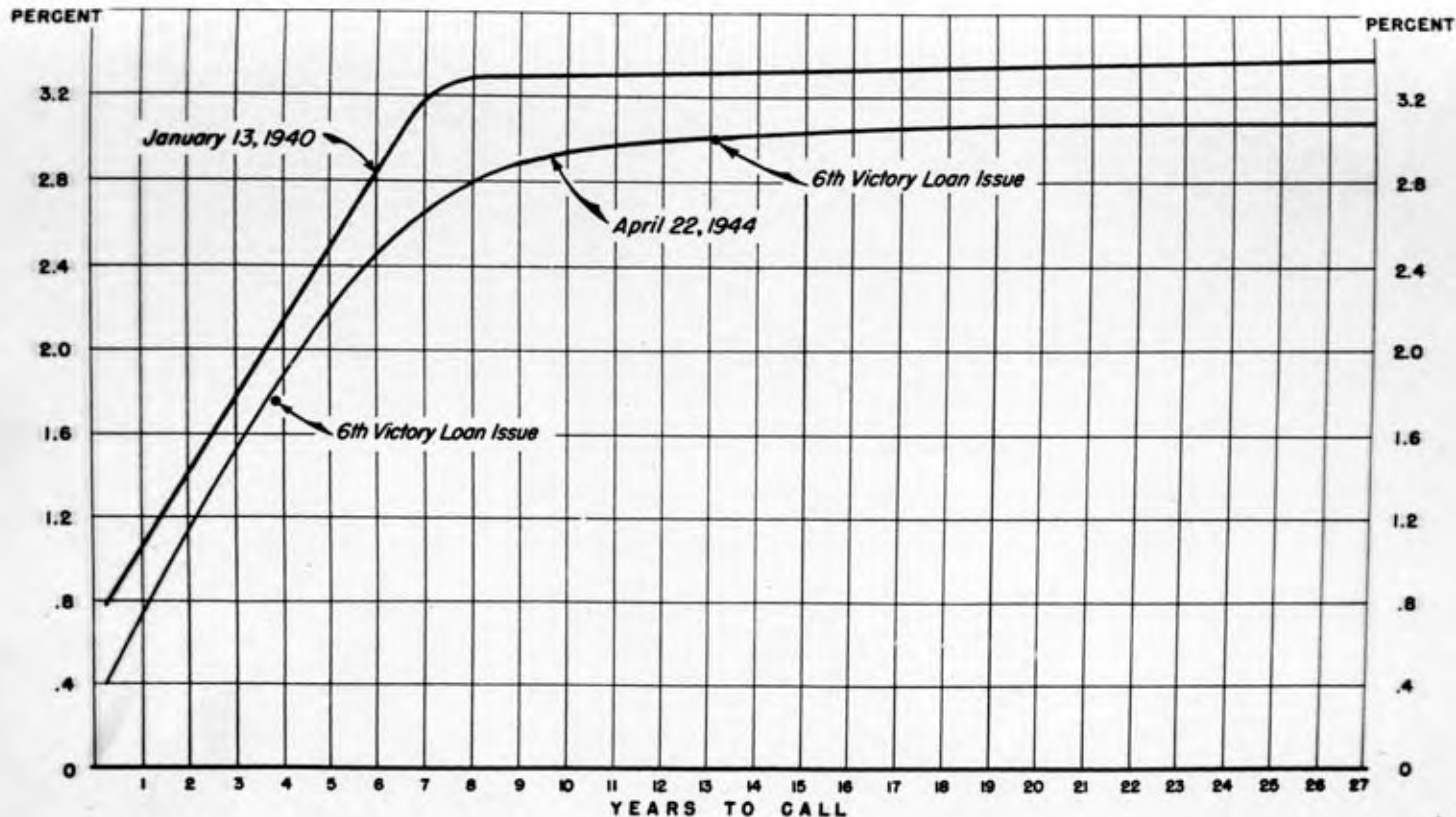
MEMBER BANK EXCESS RESERVES



* Change in reserve requirements

YIELDS OF CANADIAN GOVERNMENT SECURITIES

January 13, 1940 and April 22, 1944



MEMORANDUM

TO: Secretary Morgenthau

FROM: Mr. Paul May 19, 1944

SUBJECT: Some Aspects of Tax Avoidance Under The Excess Profits Tax

The following is an example of corporate dealings that illustrate a serious tax avoidance problem under the excess profits tax: The Beneficial Industrial Loan Corporation, a company which, through numerous operating subsidiaries, dealt entirely in small loans, had earnings in the base period 1936-1939 which produced an excess profits credit of about \$7,500,000. During the war period its loan business was reduced so that in 1943 it earned only about \$4,800,000 from this source. As a consequence, it had an unused excess profits credit of roughly \$2,700,000.

Tri-State Transit Company of Louisiana, Inc., which was wholly owned by one person, is a motor bus company which earned an average of about \$150,000 in the base period. As a consequence of the war, its profits in 1943 arose to more than \$4,000,000. These profit increases were subject to the excess profits tax.

In March 1943, Beneficial purchased all of the stock of Tri-State for about \$2,900,000. It expected to file a consolidated return for 1943, under which the increased earnings of Tri-State would be almost wholly offset by the unused excess profits credit of Beneficial and, hence, relieved of excess profits tax. Without this consolidation, the tax on Beneficial would have been about \$2,000,000, that on Tri-State about \$2,940,000, or a total of about \$4,940,000. Under the consolidation as planned by Beneficial, the total tax would be about \$4,000,000, and the amount of tax avoided by this device would, therefore, be

- 2 -

about \$940,000 for the year 1943 alone.

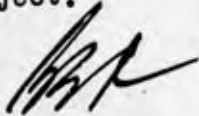
On March 14, 1944, pursuant to authority, the Treasury issued a regulation applicable to the year 1943 which had the effect of limiting the application of Beneficial's excess profits credit. The result of the limitation is to block this device for reducing taxes since it leaves most of Tri-State's earnings still subject to excess profits tax.

It should be noted that the Revenue Act of 1943 contains a provision which deals with the converse type of tax avoidance - that of the acquisition by corporations with large war profits of the excess profits credits of other corporations. The Revenue Act provision, however, did not deal directly with the type of tax avoidance illustrated by the above example - the acquisition by corporations with unused excess profits credits of corporations with large war profits - and the regulation is the first direct act in this field.

The regulation has met with some criticism, the principal basis for the criticism being that the business community apparently believes that since the Revenue Act of 1943 did not deal with these matters, they should be left undisturbed. The problems remaining as a result of the regulation - principally the cases where the assets are purchased directly rather than the stock - are still being studied.

The attached memorandum contains a more detailed consideration of this subject.

Attachment



May 18, 1944

MEMORANDUM FOR THE SECRETARY ON SOME ASPECTS OF TAX
AVOIDANCE UNDER THE EXCESS PROFITS TAX

1. Background - An excess profits tax is a type of tax that is particularly susceptible to tax avoidance. Generally speaking, the possibilities of tax avoidance arise on the one hand from the circumstance that an excess profits credit is worthless to the corporation with no excess profits; and, on the other hand, from the circumstance that excess profits to the extent of the excess profits tax are worthless to the corporation without a credit to absorb such profits. The corporation with the excess profits is thus under a powerful stimulus to acquire by any means possible an excess profits credit and thereby reduce its tax; while a corporation with an unused excess profits credit is under a powerful stimulus to derive an advantage from such credit either by selling out to or by acquiring a corporation or business possessing excess profits which can be offset by the credit. Dealings either way may be enormously profitable in view of the high rate of tax. The legal forms available for possible manipulation to produce the desired avoidance involve the most complicated sections of the Internal Revenue Code - those dealing with consolidated returns, tax free reorganizations and exchanges, etc.

2. Revenue Act of 1943 - Blocking of Tax Avoidance Through Purchase of Excess Profits Credit by Corporation with War Profits - The most flagrant situation presented was that of the acquisition by corporations with large war profits of the excess profits credits and tax deductions of other corporations. The corporations purchased for their credits were in many cases corporations which had ceased doing business and were mere corporate shells. Thus, a profitable wartime manufacturing enterprise might buy the stock of a defunct investment company or holding company which, although defunct, possessed on paper a large excess profits credit. By appropriate merger the "war baby" could secure this credit and by offsetting its war profits against the credit relieve itself of an excess profits tax on such war profits.

- 2 -

Both the business community and the Congress agreed with the Treasury that such transactions should be halted. Accordingly, the Revenue Act of 1943 contains a provision which, for the most part, will effectively prevent tax avoidance through such schemes. In its initial form as recommended by the Treasury, the provision was an all-inclusive one that would have reached practically any form of tax avoidance. The business community and the Congress, however, were not prepared for such a sweeping provision and, consequently, the provision was narrowed to cover the most flagrant and obvious type of tax avoidance, as described above.

3. Possibility of Tax Avoidance Through Purchase of Wartime Profits by Corporations with Large Unused Excess Profits Credits - The remaining important area of tax avoidance results from the efforts of solvent corporations with large unused excess profits credits to obtain wartime earnings through the purchase of war businesses with high earnings. Thus a personal loan company with a large excess profits credit because of profitable business in the base period may find itself with considerably reduced earnings during wartime because of credit restrictions affecting its business. Such a corporation will attempt to purchase a war baby - which, having a small credit must pay heavy excess profits taxes, and is hence desirous of selling. If the personal loan company acquires the war baby it can offset the war earnings against its unused credit and as a result the excess profits tax on the war earnings will disappear, to the advantage of the personal loan company. Since the transaction is immediately profitable to the personal loan company it can afford to pay an attractive price for the war baby, which makes the transaction mutually satisfactory at the expense of the tax revenues.

4. Position Taken by Treasury Department on Consolidated Returns Regulations - Under authority possessed by it to prescribe regulations governing consolidated returns of corporations, the Treasury Department recently

- 3 -

issued a regulation governing the computation of excess profits tax in the case of consolidated returns which regulation seeks to prevent tax avoidance of the type described in three above. Under this regulation, if the corporation with the unused excess profits credit acquires a wartime business by purchasing the stock of such business, the regulation prevents the avoidance of excess profits tax by restricting the amount of the credit which may be applied to the earnings of the acquired business where the two corporations file a consolidated return.

This regulation has met with criticism by a part of the business community. Some of the criticism is attributable to a misunderstanding as to the actual effect of the regulation, which is understandable due to the complex situations involved. The regulation is actually less restrictive than is generally believed. Some criticism arises because the regulation was issued on March 14, 1944, applicable to taxes for the year 1943. However, the Internal Revenue Code permits such late issuance of regulations and in the past few years regulations in this field generally have been issued in this manner.

The main criticism results from the fact that the regulation reaches only cases where the acquisition is by way of the purchase of stock so that cases in which the physical assets are directly purchased are not touched. While it is generally simpler to acquire a business through stock purchase and consequently the regulation is effective in blocking the more readily available methods of tax avoidance, it is true that the same tax avoidance can be accomplished through the purchase of the assets directly. The business community feels that since such direct purchase of assets is apparently permissible, it is inconsistent and undesirable to block the stock purchase cases.

5. Remaining Area of Tax Avoidance - Direct Purchase of Profitable Assets by Corporations with Large

- 4 -

Unused Excess Profits Credits - The issuance of the consolidated returns regulations makes it necessary to deal with the remaining area of tax avoidance - that of the direct purchase of assets presently producing large war earnings by a corporation with a large unused excess profits credit. This is a very difficult problem. It is quite obvious that many concerns with profitable pre-war businesses were hard hit by the war and had to engage in other activities in order to maintain their earnings. In addition, the war quite obviously involved a shift in the industrial activity of a great many concerns. It may be impossible to find a clear-cut, precise dividing line between such bona fide acquisitions and those instances in which the purchase of profitable assets has been for purposes of tax avoidance. The size and complexity of the problem may be one of the reasons why the business community believes the law does not reach tax avoidance cases of this type.

Even though no definite and certain rule can be found which can be enacted into law, if the business community as a whole is given reason to believe that the Bureau will be successful in defeating the tax avoidance cases when they arise, the business community itself will probably solve the problem by not engaging in such tax avoidance cases, thus leaving to the Bureau only a restricted number of cases to scrutinize. Accordingly, if such tax avoidance is to be prevented, a method must be found whereby it is made clear that the tax avoidance cases in this field are without foundation in law and will be scrutinized by the Bureau of Internal Revenue.

MEMORANDUM FOR THE SECRETARY.

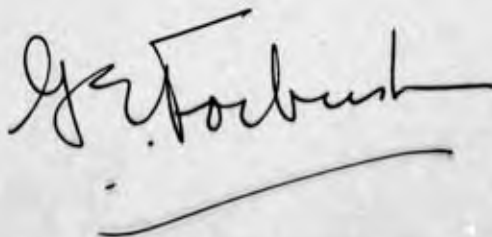
May 19, 1944.

Mail Report

News reports that the Treasury will not recommend a reduction in the recently adopted cabaret tax prompted only one letter of approval and several letters that sharply protested the present rate. Objections were usually based on the hardships to entertainers and others who are thrown out of employment by the closing of cabarets. Also under the heading "unfavorable" were several pleas for tax refunds, and 8 additional letters in the campaign for special consideration of contributions in the simplified withholding tax bill. There was nothing to offset this unfavorable tax mail, except a few worn suggestions for further income.

The one live topic in the bond mail was of course the Fifth Drive. Gaged by correspondence, it seems to be building up to a strong start. Numbers of department stores replied cordially to the form letter of May 8 mailed by the War Finance Committee, and individuals continued to submit a variety of promotional material. The bulk of the mail, however, concerned problems of ownership and redemption of securities. Only 11 persons reported that they had not received interest due, and an equal number complained of not receiving bonds purchased. The latter group included very few War Department employees. The bonds submitted for redemption - 63 in all - carried postmarks of widely scattered localities.

Nearness of Invasion Day led to several rather generous donations - either in cash or in bonds - for the war effort.



General Comments

Sidney Shoreham, Purser, Maryland Drydock Company, Baltimore, Maryland. (Telegram) Not a bank or place of business in the city of Baltimore will cash a check from the Treasurer of the United States, regardless of identification. Why does the Treasury Department issue checks and tell people not to cash them? I am a seaman and cannot spend all my time trying to cash one of your checks. What is your advice?

Senator James E. Murray (Montana). * * * I quote herewith a paragraph from a letter I have just received: "The Procurement Division has been selling as salvage, large lots of tires, both passenger and truck, used tires and casings to recap, through a series of invitations to bid on the various lots of tires in the several cities that the Procurement Division has warehouses, such as Portland, Oregon, San Francisco, Calif., Oklahoma City, Oklahoma, etc. The amounts of tires have invariably been over 4,000 and included was thousands of tubes and new tires. The Procurement Division has sent out invitations to bid and this is what makes the deal look peculiar, is that the invitations to bid have been restricted to only those companies that manufacture new tires. This program is designed to favor only one manufacturer, and that is the Firestone Tire and Rubber Company, as they are the only manufacturer that has recapping equipment located in most of their service outlets."

Hollis McMillan, Seventh Grade, Bly, Oregon. Enclosed is the 7th Grade's second \$18.75 War Bond. We wish to turn this bond in to the Government as we did the first one. This will be our last bond for this school year, but we hope to turn in more next school year.

- 2 -

Mrs. Ruth Rice Schmitz, Meads Point, Greenwich, Conn. I am the wife of Dietrich A. Schmitz, former president of General Aniline and Film Corporation, whom you have been persecuting for some time. That persecution of a just, decent and generous American citizen who came over here as a youth of 19 years in 1905, has led to smear articles, the latest being "Espionage de Luxe" by Francis Rufus Bellamy, condensed from The American Mercury -- now on page 36 in the Readers Digest of May 1944. D. A. Schmitz was never charged with espionage. That article, "Espionage de Luxe", presumes to go the limit in dastardly defamation of character, absolutely unjustified and presumptuous. It reflects on a decent, upstanding family with a son who has been fighting against the Japs in the Pacific, and against the Germans in the Atlantic, and around Sicily, who has been in the U. S. Navy almost four years now. It reflects unjustly upon me, the wife and mother whose ancestors founded Worcester, Mass., and Conway, Mass.
* * *

H. D. Forward, Jr., Camillus, N. Y. I am returning this check (AAA farm program check for \$565.02), to the U. S. Government, as I did not feel it the right thing to do to accept it at a time like this.

A soldier, U. S. Army. (Postmarked, Memphis, Tenn.) To be willing to give your life for our country is more than enough. To be also willing to give a portion of your wealth to our country when it is fighting for its very existence, is not only more than enough but the sensible thing to do. (Encloses 7 bonds, with a face value of \$500.00, from which the name of the owner has been cut away.)

Mrs. Margaret Sherwin, Essex Falls, N. J. I just heard that you are shipping gold to the Argentine, and say you are glad to see it go. It seems that 21 billion

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in gold is not too much to have in vaults when you are printing so many greenbacks. I am only a housewife who handles just a few dollars a week, but I know I have some common sense where money is concerned, and I can see without too much trouble just where your gold policy is leading us. It is a wicked, foolish, juggling act you are carrying on, and it must stop. You are getting us nearer and nearer the brink of disaster, and it is all avoidable. I think that if you cannot do better, you should do your country a service and resign.

Alvin A. Butler, C. A. Cowen, A. E. Crocker, D. M. Ferguson, J. R. Mullins, W. B. Stewart, D. E. Wright, Portland, Oregon. (Telegram) Will you be good enough to inform us by wire concerning present status of the Western Union Company request for approval of increases in salaries for supervisory employees who are exempt FLSA in line with the wage stabilization program? The undersigned affected employees have waited patiently for approximately seventeen months. We have been told that the telegraph company as a final necessary step submitted matter to U. S. Treasury Department on December 30, 1943, and that the matter is being held up there. We feel that we have suffered severely in this situation and appeal to you for prompt and favorable action. * * *

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Favorable Comments on Bonds

Christie Benet, State Chairman, War Finance Committee, Columbia, S. C. Your vigorous telegram of May 12 reached me duly. In South Carolina we have our plans set for the Fifth War Loan Campaign. Our County Chairmen are perfecting their organizations. We expect to move off on time and are very hopeful of results, although this being an agricultural state, it is going to be difficult for some of our counties to make their quotas. Many thanks for your cheering words. You can count on South Carolina going into action with every gun firing.

W. G. Oaks, Himmelein & Bailey, Inc., Tanners, Furriers and Manufacturers, Camden, N. J. Apropos Treasury check sent to me today, in connection with Public Debt Redemption on a few "E" Bonds which I turned in for cancellation, please be advised that these bonds were turned in so that I might purchase other bonds of the U.S.A. to better meet the requirements of my modest investment portfolio. I assure you that I am wholeheartedly in accord with the splendid war financing that has been accomplished under your direction.

Unfavorable Comments on Bonds

D. M. Montgomery, Publisher, The Petersburg Press, Petersburg, Ind. In yesterday's mail we received a release of promotional material on War Bonds that to the writer is the most out and out cheap attempt by a commercial firm to grab free publicity that has yet come to this office. The daily newspapers have climbed onto the weekly press for urging a sound advertising program, and is it any wonder when such trash as this needlecraft Bureau-Bond tie-up is sent that we wonder what in hell is going on in Washington? If the daily press wants something to climb onto, here is a chance to rip the Treasury wide open. If I wasn't a taxpayer, I would send the material back, postage collect, but after all, the postage does come out of my pocket. When you see fit to stick to the sale of bonds, you will find not only my paper but every other good paper out pitching for you.

Roy D. Matthews, Judge of Probate Court, Corunna, Mich. As Juvenile Judge, I have been for some time requiring wards of the Court, who are old enough, to work in the war factories to buy Government Bonds. Now I am somewhat shocked to learn that these boys, although they will not be twenty-one years of age for three, four, or five years, are able to go to any bank and sign the transfer themselves and cash the bonds. It was my idea, when I forced the buying of bonds in their own name, that they would have to keep these bonds until they were twenty-one years of age. Under the laws of Michigan, any bank or any other party who permits a minor to sell his bonds, would be liable to his parents. * * * I think our effort is legitimate and I would like to know if there is any way that you can assist us.

W. A. Endle, Lakewood, Ohio. For more than seven years past I have made regular monthly purchases, first of U. S. Savings Bonds, then Defense Bonds,

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and now Series E War Bonds. * * * The purpose of this letter is to inquire whether or not a change is contemplated to make the bonds more readily and conveniently convertible into cash than is possible under the present time-consuming and inconvenient procedure. The present identification requirement and subsequent waiting period incident to processing through the Federal Reserve Bank are anything but satisfactory, and it seems to me to tend to discourage further purchases. Why would it not be feasible to permit an owner of one of these bonds to cash or deposit it in his savings or commercial account at any bank where he is known, or has an account, to the same extent as a check, draft or money order? Personally, I hope to be able to retain my bonds until maturity, but I trust I will not be required, when they begin to mature, if I am at that time at a distance from a Federal Reserve Bank, to go through the present cumbersome procedure of converting these bonds.

Senator Francis Maloney (Connecticut) I quote from a letter which I have received from Mr. William C. Clarke, West Woodstock, Conn.: "During the last War Bond Drive this town had a quota of about ten thousand dollars and purchased about thirty-eight thousand. I was one of the solicitors and when my work was done, turned in the funds collected, and also then made a personal subscription for a five hundred dollar 2½-65-70. This was by a check payable to the Federal Reserve Bank of Boston, and dated January 26. As bonds were received, I delivered them, collecting the receipts, but my bond did not arrive. After waiting 60 days, I complained to the head of the Drive here. On May 4, 90 days after subscribing, my check was handed back to me and I was told the issue I desired was limited and my application was too late. Let us put this another way. The Government pays out my money to advertise its needed funds, it puts out a prospectus which does not say the 2½ p.c. bonds are limited, and armed with these, the solicitors use their gas and tires, persuade people to buy, subscribe themselves. The Government

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takes the money, holds it as long as it pleases, and then returns it, virtually saying it does not want the money, but shortly will ask for more." * * *

A probable explanation for the large proportion of bonds coming in for redemption from Puerto Rico is contained in this letter from R. D. Mooney, Central Aguirre, Puerto Rico. "I was born in New Hampshire and have been a resident of Puerto Rico for the past 15 years. Since October of 1938, I have made monthly purchases of War Savings Bonds. A recent notice in the local papers stated that residents of Puerto Rico who were owners of Savings Bonds would lose thirty percent of the interest on such bonds. I have been unable to obtain any authentic information down here as to whether this is true or not, and would appreciate your advising me how the bonds I own at present and the bonds that I may purchase in the future will be affected. Due to this notice in the paper here, most people that purchase bonds are in the same position I am -- that is, not knowing whether to continue purchasing them or not. If some general notice of explanation is not made, the War Savings Bond sales here will quite probably take a big drop. * * * I am enclosing an Air Mail stamp in order to insure a prompt reply as regular mail is still delayed in Puerto Rico."

Congressman J. Hardin Peterson (Florida) I am in receipt of a letter from one of my constituents as follows: "I am a disabled Spanish American War Veteran and have been living on \$60 a month. My wife and I out of our little pension bought two hundred dollars worth of bonds. My wife has been not well for almost two years, and grew worse in April. I carried her to see a doctor here at Dade City, Florida. He suggested an operation immediately, so I did not have more than \$5 to go on, and I took my bonds to the bank to see if I could borrow a hundred dollars on them, and the banker said no. I could not borrow or cash them in that bank -- I told him the doctor said my wife had to

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have a serious operation, and I had to have some money. * * * He said the only way was to send them to the Federal Bank at Jacksonville, Florida, and it would take about four days. They sent them to Jacksonville on Saturday, and I got the check the next Friday. I had the hundred dollar bond over a year - I got a check for \$75.50. I got \$75.00 out of the other three, one \$50.00 bond and two \$25.00 bonds. Two hundred in all. I received check for \$150.00, but they took \$11.00 off me at the bank here - is that legal? I worked hard and managed to save the money, put it in bonds to have it taken in that way - they took it when I had the check cashed. All the trouble he had was to mail it to Jacksonville and then cash the check for me - is it legal to take a poor disabled man's money that way? Please advise me." * * *

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Unfavorable Comments on Taxation

John R. Myers, Altoona, Pa. Please inform me when the Government will begin paying back to the people who overpaid their income tax last year? Since your Collector couldn't give the taxpayer any satisfaction as to when we would get our refund, I am writing you now. As we are a family of nine, I could sure use it now. According to my return you owe me \$45.01.

Frank P. Tebbett, Ocean Park, Calif. * * * I have had a hell of a time with my income taxes. A week ago I received from the Collector in Los Angeles a small slip of paper with the printed message that I had been "assessed" \$26.35, and stating that "demand is hereby made for immediate payment". No other explanation was offered. I immediately wrote the Collector stating that I had divided my wife's income and mine; (she too works at the plant), figured my tax and remitted \$26.36, which was half of the tax, and understood that the other half was not due until 1945. I asked for an explanation as I do not propose to pay any more money without a full and satisfactory explanation. I think I am entitled to that as a citizen. Seven days have elapsed, and there has been no reply. Ten days was set as the time limit, after which I must pay a six percent penalty. I propose to await your reply to my letter, and if I do not receive one in a reasonable time, I will take the matter up with several Senators in Washington who are longtime personal friends, and interested in taxation. I object to the tone and form of the notice, with its "demand" element, and I want to know why the payment is due. * * * I am certainly not in harmony with the Treasury Department's handling of the tax situation.

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Erland Nelson, President, Carthage College, Carthage, Ill. This is not an inspired pressure letter, but the opinion of a large number of Lutherans in the State of Illinois who have recently read of the simplified plan for income tax. While the nearly 100,000 Lutherans of our state would favor simplification of income tax returns, we do feel that the attempt to average charitable deductions is not only unfair to the church-related colleges, the churches themselves, hospitals, and other organizations of that type, but it is also unfair to the thousands of donors who have in these recent years been encouraged not only to pay their taxes, but also to make voluntary contributions to many worthy causes which were deductible on the income tax statements. We believe these citizens are entitled to the income tax reduction up to 15 percent as provided heretofore. * * * Many of us have unbounded confidence in you and your men, and I am sure that you can devise a simple procedure by which the man who gives to many causes, ranging from Red Cross to his local church, will not have to pay income tax on that amount. On your program for heavier taxes to pay the larger part of the cost of the war now, we are entirely for you.



TREASURY DEPARTMENT

WASHINGTON

May 19, 1944

MEMORANDUM TO THE SECRETARY:

A meeting took place with Mr. Clayton and representatives of his administration, of Reconstruction Finance Corporation and of Procurement to discuss sales policies and also what priority should be given to Federal Agencies and tax-supported institutions.

There was general agreement that Federal Agencies should have priority for twenty-one days to obtain surpluses and that during this same period orders would, in appropriate cases, be accepted from tax-supported institutions. These could be filled from any balance remaining after satisfying Federal needs.

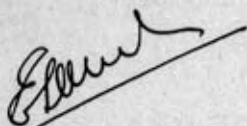
A representative of the Reconstruction Finance Corporation and of the Treasury Procurement were appointed to formulate a statement of policy for submission to Mr. Clayton. This statement is to be the basis for his proposal to Congress on legislation.

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Memorandum to the Secretary
5/19/44

We were represented at a Round Table discussion of the surplus property problem under the sponsorship of the National Industrial Conference Board in New York.

A handwritten signature in dark ink, appearing to read "E. L. Olrich", written over a horizontal line.

E. L. Olrich
Assistant to the Secretary



TREASURY DEPARTMENT

WASHINGTON

May 19, 1944

MEMORANDUM TO THE SECRETARY:

Completed arrangements for the disposal of used trucks to be offered to dealers by negotiation. Trucks will be allocated to states on basis of needs indicated by Office of Defense Transportation. ?

Talked with representatives of the Service Tools Industry regarding surplus property disposal as it affects them.

Talked with Captain Stambaugh of War Food Administration regarding surplus property disposal as related to agricultural needs.

E. L. Olrich
Assistant to the Secretary

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE May 19, 1944

TO Secretary Morgenthau

FOR YOUR INFORMATION

FROM Mr. O'Connell

I think you will be interested to know that on May 19th Foreign Funds Control, through financial measures, was able to interrupt a shipment of 100 kilos of quinine, which is in very short supply in this country, from Columbia to Portugal.

This transaction, certified under the Portuguese general license, involved quinine which this Government has for some time been unsuccessfully endeavoring to purchase for our war purposes. Though authorized under the Portuguese general license, the New York Bank, before advising the covering credit, inquired of the Federal Reserve Bank as to the desirability of the transaction. After consulting with FEA, Foreign Funds instructed the New York bank that they could not effect the transaction under the Portuguese general license but only pursuant to a specific license, action in respect to which will be taken in conjunction with FEA.

So that other financial facilities may not be utilized to effect the shipment of this quinine, and in order to give FEA a further opportunity to acquire it, the British have been specifically requested to perfect the embargo by refusing to grant the necessary navicert.

We are working out arrangements with FEA so that future cases of this type will automatically receive appropriate attention.

Joseph J. O'Connell

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

May 19, 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 May 10, 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.

CMB

FEDERAL RESERVE BANK
OF NEW YORK

May 18, 1944.

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended May 10, 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.

Enclosures

COPY

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

Week Ended May 10, 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)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of		Transfers from Official Australian Account	Other Credits (c)				
						Gold	Securities (Official) (b)						
First year of war (g)	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3(f)	1,095.3(f)	+ 299.0
War period through December, 1940	2,782.9	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	578.3	1,098.4	+ 220.1
Second year of war (h)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 20.1
Third year of war (i)	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	- 24.1
Fourth year of war (j)	764.0	312.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3
1943													
September	49.4	16.8	10.6	22.0	86.2	-	-	15.0	71.2	+ 36.8	-	-	-
October	38.2	16.0	-	22.2	115.4	-	-	10.5	74.9	+ 77.2	-	-	-
November	65.9	42.4	2.9	17.6	89.0	-	-	3.5	85.5	+ 23.1	-	-	-
December	98.1	16.3	-	81.8	134.5	-	-	36.5	98.0	+ 36.4	-	-	-
1944													
January	44.6	22.2	10.6	12.0	127.5	-	-	1.0	126.5	+ 82.7	-	-	-
February	143.8	14.3	2.1	127.4	144.5	-	-	29.0	115.5	+ 0.7	-	-	-
March	152.9	71.1	12.5	69.3	133.3	-	-	24.5	108.8	- 19.6	-	-	-
April	134.8	14.9	-	119.9	122.2	-	-	27.5	94.7	- 12.6	-	-	-
May													
June													
July													
August													
Week Ended													
April 19, 1944	7.9	2.2	-	5.7	14.4	-	-	6.0	8.4	+ 6.5	-	-	-
April 26, 1944	5.0	2.2	-	2.8	67.8	-	-	5.0	62.8	+ 62.8	-	-	-
May 3, 1944	59.2	4.0	-	55.2	43.7	-	-	17.5	26.2	- 15.5	-	-	-
May 10, 1944	19.7(1)	10.7	-	9.0(1)	25.2(k)	-	-	-	25.2(k)	+ 5.5	-	-	-

British War Expenditures Since Outbreak of War

France (through June 19, 1940) \$19.5 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) \$ 21.2 million

See attached sheet for Footnotes.

Regraded Unclassified

- (1) Includes figures for account of British Ministry of Supply, British Supply Board, Ministry of Supply, Tankers, and Ministry of Shipping.
- (2) 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 compiled by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of war securities through December, 1940 amounted to \$334 million.
- (3) Includes about \$25 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the liquidation 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 amounts. See (b) below.
- (4) Reflected change in all dollar holdings payable on demand or maturing in one year.
- (5) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (6) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (7) For monthly breakdown see tabulations prior to April 23, 1941.
- (8) For monthly breakdown see tabulations prior to October 8, 1941.
- (9) For monthly breakdown see tabulations prior to October 14, 1942.
- (10) For monthly breakdown see tabulations prior to September 29, 1943.
- (11) Includes \$ 4.8 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, and \$ 18.1 million in connection with the expenses of our armed forces abroad.
- (12) Includes \$ 2.0 million transferred to account of Reserve Bank of South Africa at this bank.

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(a) For monthly breakdown see tabulations prior to April 23, 1961.
(b) For monthly breakdown see tabulations prior to October 6, 1961.
(c) For monthly breakdown see tabulations prior to December 14, 1962.
(d) For monthly breakdown see tabulations prior to September 29, 1963.
(e) Half-yearly changes in all dollar holdings payable on demand or maturing in one year.
(f) Does not include transactions in short term U.S. securities.
(g) Includes \$1.7 million in short term U.S. securities.
(h) Includes \$2.2 million in short term U.S. securities.
(i) Includes \$60.0 million paid to Government of U.S. apparently representing payment for low-interest goods acquired by Canada on a cash basis.
(j) Includes \$5.0 million in connection with the expenses of our armed forces abroad.

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

191

DATE MAY 19 1944

TO Secretary Morgenthau
FROM Mr. Pehle

I am attaching herewith a copy of
the report of the War Refugee Board for May 8
to 13, 1944.

J. Pehle

Attachment.

Developments during the week of
May 8 - 13, 1944

TEMPORARY HAVENS IN THE U. S.

The Executive Director had a personal conference with President Roosevelt this week and presented to him the memorandum which had been signed by the Board members, dealing with the problems surrounding the establishment of temporary havens for war refugees in this country. The President was deeply interested and made further specific suggestions on the subject which are presently receiving our careful consideration.

CONDITIONS IN THE SATELLITE COUNTRIES

We have been advised by Ambassador Steinhardt that he recently invited the attention of the Turkish Foreign Office to the fact that no Jewish refugees had arrived from Hungary of late. Steinhardt inquired as to whether the Turkish Consul in Budapest might be withholding the granting of Turkish visas for any reason, in spite of the assurance previously given by the Foreign Ministry that the granting of such visas would be facilitated. In response to this inquiry Steinhardt was informed that the Turk Consul at Budapest had sent the Foreign Office word that every Jew who entered the Turkish Consulate in Budapest was arrested as soon as he left and transported to an unknown destination.

A communication from our Embassy in London, based on information received from London representatives of the Jewish Agency for Palestine, confirms the report that the deportation of Jews from Hungary and territories under its control has already begun. To date, 24,000 persons are said to have been deported from Sub-Carpatho Russia, in addition to the general deportation of Polish refugees seized by the Hungarian police. We are requesting our Missions in Moscow and London to endeavor to have the broadcasts from their respective countries transmit to German and satellite military and civilian personnel carrying out deportation proceedings the warning that they personally will be held responsible by the United Nations for their actions and for the deaths that may result from such deportations. We have also arranged to have such warnings carried by the Office of War Information transmitters in their foreign broadcasts.

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Ambassadors Harriman and Winant are being asked to approach the Soviet and British Foreign Offices and attempt to have them use their influence upon the satellite governments and populations toward increasing resistance to German demands for the deportation and persecution of minority groups under satellite control. Vatican support in applying pressure on the satellites, and on Hungary in particular, is likewise being solicited.

According to another report from London, out of a large group of persons arrested in Bucharest for their activity in aiding the escape of Jewish refugees from Hungary and other areas, all but 30 Jews have been released. The remaining 30 are said to be facing immediate trial. We are asking the U. S. Consul General in Jerusalem to attempt to obtain further details with respect to the 30 persons detained. At the same time we are asking Ambassador Steinhardt in Ankara, when this information is received and at his discretion, to communicate with the Rumanian Foreign Minister in Ankara and remind him of the assurances he gave to Board Representative Hirschmann in a conversation late in March to the effect that such persecution would not occur. Steinhardt is being asked to press for the release of the 30 detained persons and for an opportunity for them to leave Rumania.

In our cable to the U. S. Consulate in Jerusalem we have also asked that the names of the Hungarian officials responsible for the reported arrests in Hungary be obtained and reported to the State Department.

According to information received from our Legation in Stockholm, the Bulgarian Minister there, who recently replaced a strong pro-Nazi, has expressed sympathy for the Jewish situation. Minister Johnson reported his belief that the Bulgarian Minister can be induced to lend aid to any rescue program we may be pressing in Bulgaria, and suggested that it would be helpful if we could furnish details of any program under consideration for Bulgaria. He also asked for any suggestions we may have as to methods of exploiting to the fullest advantage the Bulgarian Minister's sympathies.

RELATIONS WITH OTHER GOVERNMENTS

A. United Nations

1. India

According to a report from the U. S. Mission in New Delhi, no reply has as yet been received from the

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Government of India in response to our inquiry as to India's intentions with respect to aiding war refugees. It was reported that a statement recently issued by the Indian Government in another connection, however, would seem to bear out the Mission's previous prediction that India intends to limit her assistance in war refugee matters to payment of a share of the administrative expenses of the Intergovernmental Committee.

2. South Africa

In response to State's circular airgram of January 26, we have been advised by the U. S. Legation in the Union of South Africa that to date no official reply has been received from the South African Government with respect to possible cooperation in war refugee matters. The question of post-war immigration into the Union has meanwhile been raised in the South African House of Assembly, however, in a motion introduced by a majority party member calling for large-scale European immigration, to which an amendment was added specifically barring Jews. Such a restriction is reportedly favored by the majority of both leading political parties. Another amendment provided for the immigration of orphans under ten years of age "from countries from which the people of the Union have sprung." Debate on the proposed legislation was reported to be in progress.

3. China

We have been advised from Chungking that no reply has as yet been received to the U. S. Embassy's note to the Chinese Minister of Foreign Affairs with respect to cooperation in war refugee matters.

According to reports transmitted from diplomatic and consular officers in Kunming, Sian and Chengtu, however, the official attitude of the Chinese toward the entry of war refugees is generally negative. In view of the tremendous relief problems faced by the Chinese Government with respect to its own homeless and destitute peoples, it is considered doubtful if the Chinese reaction would be favorable to any concrete proposal involving the acceptance and care of substantial numbers of refugees. Moreover, transportation facilities into unoccupied China are said to be so limited that any refugee traffic would probably interfere seriously with the importation of essential materials. However, so far as is known, there is no specific bar to the entry of Jews and other war refugees from

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Japanese-occupied areas into unoccupied China, nor have any cases been reported of the turning back of such refugees at the borders.

It was stated that no Jewish problem exists in any form in China. The condition of refugees generally in both occupied and unoccupied China is reported to be serious, but not more so than that of the Chinese themselves. There is said to be no evidence that the Japanese deliberately maltreat refugees in occupied areas, a statement seemingly borne out by the report that few if any refugees in Japanese-occupied Chinese cities appear to have made any effort to emigrate to unoccupied China.

B. Neutrals

1. Turkey

Ambassador Steinhardt in Ankara has been asked to endeavor to obtain Turkish transit visas for a small group of refugees in Bucharest, where they were said to have been evacuated with the aid of the Swedish Legation. According to information received from Minister Johnson in Stockholm, this group already has Swedish passports, Rumanian exit visas, Bulgarian transit visas, and Palestine certificates. If transit visa authority can be cabled to the Turkish Mission in Bucharest, the group can proceed to Turkey. There it will be possible for them to pick up the Palestine certificates which the Jewish Agency has issued and have them properly stamped, a procedure not possible in Rumania because Palestine visas must be stamped by British Consuls.

2. Portugal

According to a report from our Embassy in Lisbon, Diario de Noticias, Lisbon's leading newspaper, in a front-page editorial on the President's statement on Nazi atrocities, asserted its complete agreement with the sentiments of this Government. At the same time Portugal's own efforts to provide havens for war refugees were eulogized.

The Lisbon Jornal-do Comercio is also reported to have commented editorially on the "high political and moral significance" of the President's statement. Although no other editorial comment was noted, virtually all leading Lisbon and Oporto papers are said to have carried the President's statement in prominent positions under very favorable headlines.

An address over a Lisbon radio station is also said to have heartily endorsed the President's statement.

3. Sweden

We have been advised by Minister Johnson that Swedish authorities are understood to be placing no obstacles in the way of Estonian fishing craft engaged in rescuing refugees from Estonia and transporting them to Sweden. A greater number of Estonians are said to be in hiding in the forests of that country at the present time than during the Russian regime, since most Estonians desperately fear being sent to Germany.

Minister Johnson has also advised us of extensive discussions held with the Chief Rabbi of Sweden, who is described as directing the work of two Swedish committees actively engaged in relief operations for Jews in Europe. Johnson's report summarizes the activities of these two groups in Rumania, Poland, Slovakia, Hungary, France, and other German-controlled areas. Much of the current activities of these committees is said to have been made possible by the Swedish Foreign Office. Communication with persons in enemy and occupied territory, for example, has reportedly been through facilities of the Foreign Office and Swedish Missions in the various countries.

Johnson reports that at the present time the two groups are short of funds, however, and strongly urges that arrangements be made for supplying them with \$50,000. In Johnson's opinion, with proper financial support, refugee relief as well as actual rescue operations from Sweden can be expanded to a considerable degree.

G. Latin American Countries

1. Argentina

In response to State's circular airgram of January 26, the U. S. Embassy at Buenos Aires has advised us that the consensus of persons active in Jewish rescue and relief work is that so long as the present regime remains in power, no assistance whatsoever can be expected from the Argentine Government in refugee matters. Certain Jewish organizations in Argentina are said to own large tracts of land which might easily support several thousand refugee families if there should come a radical change in the Argentine Government under which such immigrants could be admitted. Argentina itself is said to be capable of absorbing millions of

immigrants, but "no conceivable political change would make possible the willing acceptance of a very large proportion of Jews among those proposed millions."

In another communication from Buenos Aires we have been advised of the visit to the Embassy of a delegation from the Argentine Jewish Associations for the purpose of expressing their appreciation of the President's statement on atrocities against the Jews. Very favorable treatment of the President's statement in the news columns of La Prensa and La Nacion was also reported.

2. Colombia

In a despatch from Bogota we have been advised that our Embassy there has approached the Colombian Government with the suggestion that Colombia implement its cooperation in war refugee matters by issuing a declaration of policy similar to that issued by this Government. While a spokesman for the Colombian Ministry of Foreign Affairs is reported to have appeared sympathetic to this suggestion, he was noncommittal with respect to the proposal that instructions along the same lines be sent to Colombian diplomatic and consular officers abroad.

3. Dominican Republic

The Foreign Office of the Dominican Republic, in response to a memorandum from our Embassy there, has indicated that it will cooperate fully with the war refugee policy of this Government. Our policy, the Dominican note asserts, coincides with that which has been followed by the Dominican Government since 1937 when, on the occasion of the Evian Conference, the Dominican delegation was instructed to indicate that the Dominican Republic was prepared to receive up to 100,000 European immigrants. This policy was put into practice a short time afterward, according to the Foreign Office, with the signing of a contract with the Association for the Establishment of Colonists in the Republic, by virtue of which a great number of refugees are said to have been provided refuge.

D. Other Countries

1. Afghanistan

According to a report from our Legation in Afghanistan, there is little chance for any substantial number of refugees to be absorbed into the Afghan economy, nor is it

- 7 -

likely that they be welcome in a fanatically Moslem country. Because of the primitive economy and low standard of living in Afghanistan, there is said to be practically no opportunity for Europeans in the fields of domestic commerce, agriculture, or the service trades. It was indicated, however, that since the Afghan Government has in the past welcomed the coming of qualified technicians and professional men, it is possible that a small number - perhaps fifty - such refugees and their dependents might be accepted in Afghanistan. It was suggested that if the names and qualifications of refugees proposed for settlement in that country were to be submitted, the Afghan Government would be approached by the Legation and the matter discussed with them. In this connection it was added that although Jews are "not popular" in Afghanistan, there has been no serious discrimination against them.

RESCUE AND RELIEF PROJECTS

A. Evacuations from Spain to Lyautey

We have been advised by Board Representative Ackermann that he has obtained confirmation of our original understanding with the French that so long as the total number of refugees in Camp Lyautey does not at any one time exceed 2,000, no objection will be made to the entry of refugees merely because they arrived in Spain after March first.

B. Evacuation to and through Turkey

Ambassador Steinhardt has advised us that on May 1 the "S.S. Milka" again arrived off Istanbul from Constanza, carrying 272 Jewish refugees. Although the vessel arrived without proper papers and although the refugees on board were without Turkish entry or transit visas or Palestine certificates, the Turkish Foreign Officer is reported to be making provision for the transportation of these refugees to the Syrian frontier. The British in Istanbul are issuing the requisite Palestine certificates.

Steinhardt urged that no public appreciation for the Turkish Foreign Minister's action be expressed at this time, since such public expression might embarrass Turkish relations with Arab countries and might be used against the Foreign Minister by certain political opponents. Steinhardt indicated that the "S.S. Maritza," due to arrive in Istanbul shortly, would present a situation similar to that of the "Milka," and for this reason also, deferment of any public expression of appreciation was requested.

After talking with the representative in Ankara of the Jewish Agency for Palestine, Steinhardt has advised us that he anticipates no great difficulty in transporting from Iakenderun to Haifa, by means of coastal schooners, the refugees who might arrive on the "S.S. Tari." Such schooners, it was pointed out, could probably be sent from Egypt or Palestine for that purpose at this time of year.

While Steinhardt was of the opinion that it was too soon to give up hope that safe-conduct for the "Tari" would be granted by the Germans, he did indicate his belief that the recent severe strain on relations between Germany and Turkey resulting from the discontinuance of chrome shipments from Turkey makes it improbable that the German safe-conduct will now be forthcoming.

In a later communication Steinhardt advised us that our offer to the Germans to change the destination of the "Tari" from Haifa to a Turkish port has thus far been unproductive of results.

If and when the "Tari" arrives in Turkey, Steinhardt has indicated that he would consider it inadvisable to approach the Turkish authorities with a request to transport this particular group of refugees by rail, since transportation by coastal schooners is possible. It was felt that any agreement on the part of Turkish authorities to transport these 1500 refugees by rail would necessarily interfere with and probably reduce the movement by rail of refugees arriving on "illegal" boats in Istanbul.

Steinhardt further indicated his belief that the evaluation of railroad facilities in Turkey which we obtained from the Foreign Economic Administration was based on conditions prevailing prior to the departure from Istanbul of FEA's representative. It was pointed out that in less than two months the Turkish Minister for Foreign Affairs has thus far arranged for the transportation of approximately 900 refugees arriving on "illegal" boats, such transportation being in addition to the railroad's regular traffic. Steinhardt stated that there are only two trains weekly from Istanbul to the Syrian frontier, and these trains require approximately 48 hours to cover the 1,000 miles on single track lines. Steinhardt therefore repeated his previous assertion that the question is not so much the disposition of the Turkish Government, which continues to be most cooperative, but rather the number of cars and locomotives available and particularly the condition of the locomotives.

Although Steinhardt anticipates that, in the event the "Tari" disembarks as many as 1500 refugees at a Turkish port and it is found impossible to transport all of them to Palestine immediately by coastal schooners, he may have to secure permission to house some of the refugees temporarily at their port of arrival, it was indicated that the necessary arrangements could undoubtedly be made with the British authorities to transport the excess number by rail.

Ambassador Winant has advised us of the receipt from the British Foreign Office of a formal reply confirming Winant's previous report that the British now have no objection to the diversion from the Greek relief fleet of the Swedish "S.S. Bardalanda" for the purpose of evacuating refugees from Balkan areas, provided the Swedish Government agrees and safe-conducts are obtained from Russia and from the German Government on behalf of itself and its allies. Because of the recent ban in Britain on code cables for foreign diplomats other than U. S. or Russian, no action was taken by Winant in connection with our request that he approach the Swedish Government on this matter through the Swedish Minister in London. We are therefore cabling Minister Johnson in Stockholm directly with the request that he ask the Swedish Government whether it would be willing to make the "Bardalanda" available for refugee evacuation from Rumania to Turkey or Palestine, and whether as a preliminary step it would immediately sound out the German Government's willingness to grant safe-conduct for such evacuation operations. Johnson is being advised that if use of the "Bardalanda" can be obtained, a charter would be executed in the name of the Board, which would also arrange for insurance, British and Russian safe-conducts, etc.

C. Evacuation of Children from France to Spain and Portugal

In accordance with our recommendation, a Treasury license has been issued to the World Jewish Congress permitting the remittance of \$50,000 to its representative in Portugal for rescue and relief work. The license stipulates that the funds may be utilized by the World Jewish Congress representative in Lisbon only as authorized by Robert Dexter, our Special Representative in Portugal. An initial remittance of \$10,000 has been made.

D. Evacuation of Children from France to Switzerland

In response to our inquiry, Minister Harrison has advised us from Bern that according to a spokesman for the Swiss Foreign Office, Minister Stucki in approaching the French

was understood to have attempted to secure general permission for refugee children to leave France and did not restrict the request to exit permits for Spain alone. In order to be sure, however, Harrison is pressing for an answer to this inquiry from Stucki himself. It was pointed out in this connection that for some time now children have been denied permission to go to Switzerland from France for temporary sojourns for rehabilitation purposes.

We have been advised by our Embassy in Managua that the Nicaraguan Consul in Bern has been authorized by his Government to grant visas to 100 refugee children, without regard for nationality or religion, and to keep these visas valid until transportation becomes available to Nicaragua.

From Montevideo we have been advised that, in response to our suggested approach through the Embassy there, the personal reaction of the Uruguayan Under-Secretary handling refugee questions was favorable. Early consideration of the matter has been promised.

In a report from El Salvador we have learned that the Salvadoran Government has expressed its sympathy with our efforts to obtain havens for refugee children from enemy territory. El Salvador has indicated that it would be willing to accept approximately 100 children, but before reaching a final conclusion would like to know whether the cost of constructing a suitable building and other maintenance expenses would be borne by the War Refugee Board.

Our Embassy in the Dominican Republic has advised us that the Foreign Office there has indicated that it would receive a minimum of 1,000 refugee children up to 16 years of age and a maximum of 2,000. Upon their arrival in the Dominican Republic, it was stated that private institutions subsidized by the State would take care of them.

In a communication from Honduras we have been advised that President Carias appears willing for Honduras to receive a maximum of 50 refugee children. Acceptance of these children would be on condition that all transportation and maintenance expenses would be met by other than Honduran agencies. Inasmuch as Honduras has no diplomatic or consular representatives in Switzerland, we were requested to suggest some practicable form of visa procedure. Clarification was also requested as to whether the children would be expected to remain in Honduras or would be returned to their countries of origin after the war.

E. Latin American Passports

According to a cable from Minister Harrison in Bern, the Papal Nuncio in Bern has now been informed of the warm appreciation of this Government for the Holy See's efforts in connection with the problem of obtaining recognition of Latin American passports and travel papers. Harrison was advised that the matter was taken up with the Spanish Government by the Papal Nuncio at Madrid. The Spanish Government is reported to have indicated that on several occasions it has concerned itself with the fate of the Jews, but that the German Government has looked with disfavor upon such intervention. With respect to the Jewish internees at Vittel, however, the Spanish Government is said to have promised to make an effort to accomplish exchanges of such internees against civilian internees in America.

1. Colombia

According to a communication from our Embassy in Colombia the Polish Minister there has consulted the Embassy to ascertain whether certain proposed notes on his part to the Governments of Colombia, Venezuela and Ecuador would be consistent with the policy of this Government. In the proposed notes inquiry would be made as to whether these three governments would be disposed to issue public declarations of their willingness to accept interned citizens of their respective countries in exchange for German nationals now in Colombia, Venezuela, and Ecuador. The Polish Minister is said to feel that while such an exchange probably could not take place under present conditions, mere declarations by these governments along the lines proposed would serve a useful purpose in preventing further inhuman acts. We have been asked to indicate to the Embassy our judgment as to whether the proposed note should be sent.

2. Cuba

The U. S. Embassy in Havana reports that the Cuban Ministry of State has indicated that on the matter of passport recognition it was approached by the Netherlands Embassy in Washington rather than by the Vatican, and that its answer was that the question of the validity of passports issued in the name of Cuba would not be raised by the Cuban Government for the duration. If the German Government should make an issue of the fact that certain of these passports were improperly issued, however, it was reported that the Cuban Government would be "unable" to extend its protection.

No categorical answer regarding the possible eventual immigration to Cuba of bearers of illegal passports appears to have been given to the Netherlands Embassy. According to the Embassy's report, Cuba apparently will defer solution of this problem until the persons involved are outside enemy territory.

3. Ecuador

A reply has been received from the U. S. Embassy in Quito with respect to passports issued in the name of Ecuador. The Ecuadorian Minister for Foreign Affairs, when approached on the matter is said to have referred to a reply given on March 30th to the British Minister in response to a similar inquiry. In this reply the Ecuadorian Government is said to have stated that it is not disposed to confirm the validity of unauthorized passports, but that it will not cancel such documents prior to the date their holders reach places of safety. Ecuadorian consular officers abroad are said to have been advised of the Ecuadorian position on this matter.

4. Haiti

The Haitian Foreign Minister reportedly maintains a negative position with respect to acknowledgment by the Haitian Government of the validity of passports issued in the name of that country. Blanket approval of outstanding documents, it was contended, might prejudice later bona fide cases.

5. Venezuela

The U. S. Ambassador in Caracas reports that the Venezuelan Foreign Minister has informed him that Venezuela is taking active measures along the lines previously promised in connection with passport recognition and exchange possibilities. He is said to have added that the Venezuelan Government has no precise information regarding the number of Venezuelan passports that may have been issued to refugees in Europe.

F. Reinstatement of Turkish Citizenship to Refugees in France

We are advising Ambassador Steinhardt of certain requests we have directed to the Turkish Ambassador here in connection with rescuing refugees in France claiming Turkish citizenship.

We have urged that the Turkish Government advise German and other authorities in France that upon the assertion of a claim to Turkish nationality, the claimant is to be extended all the rights, privileges and immunities of a Turkish national unless and until, after investigation, the Turkish Government advises such authorities that it has rejected the claim. The position of this Government with respect to refugees in German-controlled areas claiming U. S. citizenship was cited in support of our request.

Steinhardt is being advised that we have also indicated that, in the event the Turkish Government should find it possible, pending investigation, to bring about the evacuation from German-controlled areas of claimants to Turkish nationality whose lives may be in danger, we will undertake to make funds available from American sources for the maintenance and support of such refugees and will undertake to find havens promptly outside Turkey for any such refugees whose claims to Turkish nationality are eventually rejected by the Turkish Government.

Steinhardt is being asked to continue his efforts along the same lines begun some time ago with the Turkish Minister for Foreign Affairs in Ankara.

G. Recognition of Jews in Greece

We have received from the U. S. Consulate in Istanbul information obtained in an interview with a Turkish Jew recently evacuated from Greece, where he was a prominent businessman. According to Consul General Berry, with whom the interview was held, this informant appeared to be unusually reliable. The refugee in question confirmed previous reports to the effect that on March 24th all registered Jews in Athens were sent to a concentration camp. According to this informant, the total number of the refugees interned was between 900 and 1400. Any Jews not registered and any Greeks aiding such Jews were reported to be subject to immediate execution. Between 6,000 and 8,000 unregistered Jews were said to be remaining in the vicinity of Athens. This informant urged that efforts be made to persuade Turkey to give recognition to those of its nationals who had previously been refused visas because of their failure to pay certain taxes in the past. Efforts were also urged to persuade Spain and Argentina to approach Turkey for transit visas, or Germany for exit permits, for their respective nationals.

In a cable to Minister Harrison we are requesting that the International Red Cross be asked to bring all possible aid to these victims of Nazi oppression, including those reportedly evacuated. We are also asking that information be forwarded, if possible, as to the destination of the evacuees.

Minister Harrison has informed us that he has made the requested approach to Vatican authorities in connection with the recognition of Spanish Jews in Athens and the Vatican has in turn approached the Spanish Government on the matter.

Minister Norweb has advised us that the matter has been discussed with the Portuguese Ministry of Foreign Affairs, which has promised "sympathetically to inform the Embassy of possible action."

In follow-up cables to Ambassador Hayes at Madrid, to Minister Norweb and Board Representative Dexter at Lisbon, and to Harold Tittmann at Vatican City, we are reporting the substance of reports received relating to the fate of Jews in Greece. We are indicating that under these circumstances the steps previously requested to rescue Jews in Greece claiming Spanish and Portuguese nationality become especially urgent.

A handwritten signature in dark ink, appearing to be "J. A. B. C." or similar, written in a cursive style.

התאגדות היהודים בארצות הברית

The Jewish Agency for Palestine

WASHINGTON OFFICE: 1720 SIXTEENTH STREET, N. W. • MICHIGAN 4480

May 19, 1944

Mrs. Henry Klotz
Westchester Apartments
Washington, D. C.

Dear Mrs. Klotz:

I am sure you have read in the papers about the new stunt of the Bergson group-- the Hebrew Committee for National Liberation. I need not tell you that though it sounds fantastic, it may do untold harm. The American Jewish Conference and all the other responsible organizations are determined this time to put an end to the maneuvers of this irresponsible group.

I am enclosing the statement of the American Zionist Emergency Council and my own, which, by the way, I am sending to all the Embassies and the State Department, so as to warn them against the new Committee, which will try to get official recognition.

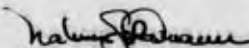
They also plan to issue a million dollars worth of bonds to be redeemed by the Hebrew nation. When asked whether they had a Treasury license, Mr. Bergson said he had not yet got it, but thought he would very soon. I think the matter is important enough to bring to the attention of the Secretary. The Bergson group will always find a Senator or Congressman who will speak on their behalf, and it is important to warn our friends about them.

I also think the time has come to warn Pehle against them. I talked to him very frankly yesterday. They are using their so-called close relations with the War Emergency Board to give the impression among Jews and others, who do not know the facts, that they are running it. I believe that Pehle is beginning to see light, but a word from you, or better still from the Secretary, would be decisive.

I would not trouble you with this, but all of us feel that the group is now becoming a public menace and everything must be done to liquidate them. Their issuance of bonds is a swindle for which they should be prosecuted.

With kind regards,

Sincerely yours,


Nahum Goldmann

FOR IMMEDIATE RELEASE

Nahum

Dr./Goldmann, representative of the Jewish Agency for Palestine and the World Zionist Organization in Washington, made the following comment on the announcement of the formation of the Hebrew Committee of National Liberation:

The Jewish Agency for Palestine is the only international body recognized under Article IV of the Mandate for Palestine by the British Government, the United States, and the League of Nations, as representing the Jewish people in all matters concerning the upbuilding of the Jewish National Home in Palestine. It is composed of all Zionist organizations the world over and numerous non-Zionists in various countries. The attempt of a few persons, who have come from Palestine to this country without any authority, without having been delegated by any group in Palestine, having played no role whatever in Jewish life in Palestine or elsewhere, to proclaim themselves as the "trustees of the Hebrew Nation's interests" is an act which, I am sure, will be rejected by all sections of the Jewish people as a fraud.

There is some danger that well-intentioned non-Jewish groups, eager to help the Jewish people in its time of tragedy, may be misled by the bombastic phrases and claims made by an insignificant group, which substitutes noise for a complete lack of standing, authority and influence in Jewish life. These well-meaning friends must be warned that by allowing themselves to be persuaded by these impertinent manoeuvres, they are harming the very cause, which they wish to serve.

The insignificant group which the members of the new committee claim to represent has already done untold damage in Palestine by trying to break the unity of Palestinian Jewry and by introducing methods which the overwhelming majority of Palestinian Jewry has rejected with scorn and contempt.

American public opinion should not allow itself to be fooled by the acts of a few men, whom a normally organized people would deal with as traitors to the common cause and exclude from its community.

There is not the slightest chance that any responsible group, Jewish or non-Jewish, not to speak of governments or the League of Nations, will pay any attention to this group. But, as they have in the past, through various tricks, succeeded in misleading and confusing ~~spokesmen~~ spokesmen of American public opinion, this warning is necessary. Whoever wants to help the Jewish people and the Zionist movement must do it by cooperating with the established and recognized organizations, the leading one of which is the Jewish Agency, the only internationally recognized body authorized to act for the Jewish people in all matters affecting Palestine. By helping the self-styled Hebrew Committee of National Liberation, which purports to speak on behalf of Jews who never gave them authority to represent them, the prestige and influence of the Jewish organizations, charged with the complex and responsible task of building the Jewish ~~in~~ Homeland, will be weakened, and harm will be done to the Jewish people.

5/17/44

Harold F. Mason
American Zionist Emergency Council
1720 - 16th Street, N. W.
Washington 9, D. C.
Michigan 4480

FOR IMMEDIATE RELEASE

**STATEMENT ON THE FORMATION OF A "HEBREW COMMITTEE OF NATIONAL LIBERATION",
ISSUED BY DR. LEON FEUER, DIRECTOR OF THE WASHINGTON BUREAU OF THE
AMERICAN ZIONIST EMERGENCY COUNCIL**

NOTE: The American Zionist Emergency Council speaks for all major Zionist bodies in the United States.

It is all fantastic and would be comic if it were not so tragic. A handful of young men are attempting to perpetrate a colossal hoax upon the American people, and we would warn the public, the press, and all official circles against being taken in by such a brazen fraud. The self-appointed "Hebrew Committee of national Liberation" is made up of half a dozen adventurers from Palestine with no standing, no credentials, no mandate from anyone unless it be from the Irgun Z'vai Leumi in Palestine, an insignificant small pistol-packing group of extremists who are claiming credit for some of the recent terror outrages. Every movement has its lunatic fringe and irresponsible splinter factions, and it is natural that they should exist also in our midst. The danger is that an unⁱⁿformed people may be taken in and may be led to believe that a new Moses has arisen in Israel.

These boys are stuntists; they have thrived on publicity tricks. Like a little stage army, they come on in varying forms and guises -- one day as a Committee for a Jewish Army, the next day as a Committee for the Rescue of European Jews; today, as a "Committee of National Liberation" with an "Embassy"; tomorrow it will be something else. But there is always one common feature -- a persistent request for contributions. No serious or responsible Jewish organization -- neither the Zionist movement, nor the American Jewish Conference, nor the B'nai Brith, nor the American Jewish Congress can afford to descend to their level or choose to play the mountebank and the charlatan. It is the specialty of these "Embassy boys".

For more than 40 years, Jews throughout the world have been concerned with the creation of a Jewish National Home in Palestine. To that end, there were constituted on a democratic basis the World Zionist Organization and the Jewish Agency for Palestine, which for 25 years have been headed by the foremost Jew of our time, Dr. Chaim Weizmann, of London. The World

Zionist Organization's representatives meet biennially as the Zionist Congress and elect their leadership, who constitute the Executive. Together with the representatives of the non-Zionists, they constitute the Jewish Agency for Palestine, officially recognized in the Palestine Mandate to represent Jewish interests and Jewish rights with respect to Palestine. The Jewish Agency maintains permanent offices in London, Jerusalem, Geneva and elsewhere. It carries on necessary political work and handles immigration and colonization in Palestine. For this work it expends annually about \$10,000,000, provided by regular contributions of Jewish communities.

In America, the Zionist movement is represented by the American Zionist Emergency Council, headed by Dr. Stephen S. Wise of New York and Dr. Abba Hillel Silver of Cleveland, as co-chairmen. Affiliated with this Council are the Zionist Organization of America, Hadassah, the Women's Zionist Organization, Mizrahi, and Poale Zion, with a combined dues-paying membership in excess of 300,000. The Council maintains a Washington Bureau which is in regular contact with Government Departments and with all important Embassies and Legations. So far as the Jewish community of Palestine, which numbers approximately 600,000, is concerned, it is democratically organized and is represented by a National Council, the Vaad Leumi. This body is likewise officially recognized by the Palestine Government, controls and directs the Jewish school system, social welfare work, etc. It also has a limited taxing power under the law. The Vaad Leumi of course recognizes the Jewish Agency for Palestine and cooperates with it closely.

To complete the picture, it should be added that the overwhelming majority of American Jews, through a democratically constituted American Jewish Conference in New York, last summer adopted a post-war program with reference to Jewish rights in Europe, as well as to the Palestine question. Represented in the American Jewish Conference are hundreds of local communities, as well as about 60 leading national organizations, including all the Zionist organizations enumerated above, the B'nai Brith, the American Jewish Congress, the Union of American Hebrew Congregations, the Rabbinical Assembly of America, the Council of Jewish Women, etc.

Whom, therefore, do the "Embassy boys" represent, and who has asked them for "liberation?" Why this new attempt to hoodwink and befuddle the public with a bewildering "ideology" about a Jewish people and a Hebrew nation? They are attempting to justify their separatist and disruptive activity by attempting to build up what they call a non-sectarian movement. But there are important and representative non-sectarian bodies cooperating with the Zionist and Jewish organizations, particularly the American Palestine Committee, headed by Senator Robert F. Wagner, which is carrying on its work effectively and with dignity.

- 3 -

There is also the Christian Council on Palestine, composed of some 1200 clergymen throughout the country. These groups are working together harmoniously and with single-minded devotion to the cause itself.

The truth is that the young gentlemen in question are obsessed with delusions of grandeur and have visions of playing the diplomat and the statesman before a public which they hope is gullible enough to swallow it. They hope to undermine the established authority and prestige of the constituted Jewish authorities and of the Zionist leadership, in particular. Above all, they hope to continue this game of impersonation as long as there are decent, but misled folks to whom they can sell their gold bricks. Considering the terrible tragedy which has engulfed the Jewish people and the seriousness of the times, we condemn their irresponsible antics and their self-constituted leadership, which the whole of organized Jewry repudiates with scorn.

5/18/44

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ciudad Trujillo
TO: Secretary of State, Washington
DATED: May 19, 1944
NUMBER: 240

SECRET

I was informed by the Foreign Minister that the Colombia Consul at Bern is merely in charge of Dominican archives and is not a bona fide representative of Dominican interests in Switzerland. With further reference to the Department's telegram of May 17, 1944, No. 200 and in view of the above, the Foreign Minister informally told me that it was the intention of the Foreign Office to send a note to the Embassy suggesting that the Swiss Government be advised by the American representative in Bern of the Dominican Government's intention to accept a minimum of 1,000 refugee children and the maximum of 2,000. It was added by the Foreign Minister that the note would also suggest that it would appreciate the American Government's accepting responsibility for the issuance of the visas if this is agreeable to it. As soon as we have received an official communication to this effect, we will inform the Department.

HENBEGIN

DCR:IDB:HL

5/22/44

PROPOSED AIRGRAM TO AMERICAN EMBASSY, HABANA, CUBA

Your 892, April 25, Joint Distribution Committee has just informed War Refugee Board that it is prepared to guarantee the maintenance of 1,000 children who may be admitted to Cuba in accordance with suggestions contained Department's circular airgram April 15. The guarantee would be effected through a welfare program to be conducted by Habana Joint Relief Committee.

May 19, 1944

2:05 P.M.

MStandish:lcm 5-18-44

FROM

HABANA

DATED: May 19, 1944

REC'd: May 23 8 a.m.

CONFIDENTIAL

Secretary of State,
Washington.

A-1071, May 19, 3 p.m.

Department's secret circular airgram, May 11,
7:30 p.m.

After being informed of the last two paragraphs
of the Department's airgram, the Ministry of State
states that it is requesting the Cuban Embassy in
Madrid to make urgent representations.

BRADEN

711.5

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, London
DATED: May 19, 1944
NUMBER: 3979

CONFIDENTIAL

The War Refugee requests that you deliver the following message to Mr. Ernest Frischer, member of the Czechoslovak National Council, 100 Oakwood Court, London W.14:

Are anxious to know how many Terezin inmates receive regularly food parcels. Understand 6000 people receive two parcels monthly from Lisbon. Ignore number of people provided from Switzerland and Istanbul. Also what frequency. Would be grateful for accurate survey covering individual collective dispatches. Also concerning Birkenau. Also number individual internees on your lists. World Jewish Congress, Leon Kabowitzki."

HULL

AIRGRAM

SECRET
BY COURIER

FROM: GUATEMALA

DATE: MAY 19, 1944

REC'D: May 23 8 a.m.

Secretary of State
Washington
A-250, May 19, 6 p.m., 1944.

Reference Department's Secret Circular Airgram
of May 11, 7:30 p.m. and my reply, A-229, 5 p.m.

I have discussed with the Foreign Minister the points raised in the above mentioned Airgram and have today received a Secret and Confidential Memorandum from the Foreign Office requesting the assistance of this Embassy in transmitting a request to the Government of Switzerland that there be granted to all persons in enemy-occupied territory who possess Guatemalan documents or claim the right to Guatemalan nationality the fullest protection and rights, privileges and immunities which are enjoyed by Guatemalans whose nationality has been duly proved.

The Government of Guatemala, prompted by lofty humanitarian sentiments, requests this protection in favor of claimed Guatemalans but reserves the right to investigate each specific case and to reject at a later date persons whose nationality cannot be conclusively proved.

The protection which is now solicited in favor of such persons does not involve economic assistance of any kind nor the right of the interested persons to be admitted to the national territory of Guatemala until such time as their nationality shall be duly established.

The text and translation of the communication cited above will be forwarded promptly by courier.

LONG

848
WCA:hss

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Consulate, Jerusalem
DATED: May 18, 1944
NUMBER: 104

CONFIDENTIAL

The War Refugee Board requests that you deliver the following message to Hliahn Dekkin, Jewish Agency, Jerusalem:

"Acknowledge receipt your cable concerning Wladyslaw Nathansen. Glad to learn you now have special lists France, Belgium also. Please cable through American Consulate and War Refugee Board full details on operation your scheme concerning occupied countries. How people informed, what risks involved, how certificates delivered. Especially what is your scheme regarding Hungary with same details. World Jewish Congress, Leon Kubewitski."

HULL

CABLE TO LISBON

From War Refugee Board to Herweb

Please deliver the following message to Dr. Joseph Schwartz and Mr. Robert Filpel, Lisbon, from Moses A. Leavitt of the American Jewish Joint Distribution Committee;

"Happy learn arrival Jeffreykin Spain Stop Do not understand why Resnik left Istanbul unless requested do so by you since many important matters make it imperative remain Istanbul and await your arrival there Stop Please instruct Resnik in accordance urgent request Intereross no publicity should be given parcel program from Turkey or any other parcel service under their supervision Stop Jack Delub unavailable London post we continuing search suitable candidate Stop Please reply soonest regarding Arthur Greenleigh for post Italy"

THIS IS WEB CABLE TO LISBON NO. 29.

May 19, 1944
3:05 p.m.

VR:lab 5/19/44

CABLE TO AMBASSADOR NORWEB FOR DEXTER, LISBON, FROM WAR REFUGEE BOARD

HIAS requests assistance in securing Spanish visas for Raphael Spanien, French citizen, representing HIAS, and Fritz Liechtenstein, Palestinian, representing Jewish Agency for Palestine. Please discuss matter with James Bernstein HICEM representative in Lisbon and lend all appropriate assistance.

THIS IS WRB LISBON CABLE NO. 27

May 19, 1944
10:40 a.m.

LSLesser:als 5/17/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
 TO: American Legation, Lisbon
 DATED: May 19, 1944
 NUMBER: 1408

CONFIDENTIAL

The War Refugee Board requests that you deliver the following message to Isaac Weissman, 179 Avenida da Liberdade, Lisbon, Portugal:

"We have complete list most distinguished Hungarian rabbis. Are considering ask for them Mauritius visas as far other rabbis in Nazi-occupied countries. Would like you however to inform us by return mail how the Mauritius scheme worked out; how many rabbis benefited by it; where they now are; what is the attitude of the Portuguese authorities in regard to granting transit visas, etc. According to some, it would be safer to have them provided with Palestine certificates. Expecting your prompt advice and report. World Jewish Congress, Leon Kubewitski."

THIS IS WEB LISBON CABLE NO. 25

HULL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Lisbon
DATED: May 19, 1944
NUMBER: 1409

SECRET

From War Refugee Board for Dexter

HIAS requests assistance in securing Spanish visas for Raphael Spanien, French citizen, representing HIAS, and Fritz Lichtenstein, Palestinian, representing Jewish Agency for Palestine. Please discuss matter with James Bernstein HICEM representative in Lisbon and lend all appropriate assistance.

THIS IS WEB LISBON CABLE NO. 27.

HULL

ORIGINAL TEXT OF TELERAM SENT

FROM: Secretary of State, Washington
 TO: American Legation, Lisbon
 DATED: May 12, 1944
 NUMBER: 1430

CONFIDENTIAL

Following message is for Dexter from War Refugee Board:

World Jewish Congress is making an initial remittance of \$10,000 to Dr. Weissman under Treasury license which specified that such funds may be utilized by Dr. Weissman only as authorized by you, as representative of the War Refugee Board.

In approving the use of any such funds by Dr. Weissman, you should of course be satisfied that there will be no duplication of the rescue and relief activities of other private agencies operating in Portugal.

For your guidance, the funds may be used by Weissman in order to arrange for the rescue of persons in enemy territory whose lives are in imminent danger and to sustain and safeguard the lives of such persons pending evacuation to places of safety. The funds may also be used for the maintenance of refugees in Portugal. The necessary funds, goods or services from persons in enemy territory may be acquired against payment by any of the three methods which are prescribed under Section (A), License No. W-2154 issued to the Joint Distribution Committee and set forth in Department's cable dated March 12, 1944, No. 800

You and Dr. Weissman should consult with James Wood, Financial Attache at the Embassy, with respect to the financial aspects of operations desired to be effected by Weissman with World Jewish Congress funds remitted from the United States under the above-mentioned license.

THIS IS WRB LISBON CABLE NO. 24.

HULL

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, Madrid
DATED: May 19, 1944
NUMBER: 1422

SECRET

Following is personal, for the Ambassador's attention.
The Board wishes to send a representative to Spain in order to review the refugee situation in Spain with you and to report to the Department and to the War Refugee Board. For this mission, the services of James G. McDonald, who it is understood is well known to you, have been secured. In order that Mr. McDonald may carry out this assignment, it is a matter of personal interest to me that he be accorded every facility by the Embassy. For the time that Mr. McDonald is in Spain on this particular mission he is to have diplomatic status, and he will be attached to the Embassy with the title of Special Attache. We assume that the Spanish Government, on their part, will have no objection, although if you consider it necessary or advisable to do so in your discretion you may approach the Spanish authorities informally. Of course, you will be advised in advance of the date of Mr. McDonald's departure. If there is any reason why this designation should not be made, please advise at once.

HULL

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Lisbon
DATED: May 19, 1944
NUMBER: 1422

CONFIDENTIAL

Following is personal for the Minister's attention.

It is wished by the War Refugee Board to send James H. Mann Assistant Executive Director of the War Refugee Board to Lisbon for a short visit of inspection to confer with the Board's representative, Dexter, and representatives of the World Jewish Congress and Joint Distribution Committee. Mann will travel on a diplomatic passport. The purpose of his mission is to obtain better coordination in activities of foregoing agencies to insure effective cooperation with the program of the Board.

You will be informed when Mann leaves.

HULL

DCR:VAG:HL 5/27/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Stockholm
DATED: May 19, 1944
NUMBER: 949

SECRET

The War Refugee Board requests that you deliver the following message to Rabbi Wilhelm Walbe, 11 Olofsgetten Strasse, Stockholm, Sweden:

"Received your message concerning Lithuania. Advise exact nature of permits you request, how many needed and sums necessary. Ready cooperate fully supply larger sums. Deeply concerned whether actual present possibilities exist for rescue from ghettos. Vard Kahatzala Emergency Committee, Rabbi Kalmanovitz."

THIS IS WEB STOCKHOLM CABLE NO. 11

NULL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Stockholm
DATED: May 19, 1944
NUMBER: 950

CONFIDENTIAL

From War Refugee Board to Johnson

Please deliver the following message to Hilel Storch.
Furusundsgatan 10, Stockholm, from Dr. A. Leon Kubowitzki of
the World Jewish Congress:

"Please have urgently thorough discussion on rescue
program for Hungary with Wilhelm Bohm, Uppfartovagen 5/4,
Stockholm - Rasunda, and have the program forwarded to us
through American Legation. Forward also urgently through
same channel Hungarian rescue program agreed upon with
Chief Rabbi Ehrenpreis. Are very much worried because
had no report recently on situation Lithuania, Latvia and
Estonia. Expect to hear from you without delay."

THIS IS WRB STOCKHOLM CABLE NO. 10

HULL

PAMPHLET OF TELEGRAM RECEIVED

226

FROM: American Legation, Stockholm
TO: Secretary of State, Washington
DATE: May 19, 1944
NUMBER: 1771

SECRET

The following for War Refugee Board is our No. 17.

We have held several discussions with the representatives of Svenska Israel's Missionen concerning current relief activities for Christian Jews in occupied Europe which they are carrying on. While this organization has limited resources and facilities, it seems to be doing effective work in several occupied areas including Hungary, Shanghai, Rumania, Vienna, Theresienstadt, and Berlin (for Jews in hiding). Axis authorities seem to have taken a more liberal attitude towards their activities due to the Christian missionary aspect of their organization and their channels of communication of such areas are quite satisfactory. These activities are mostly in the nature of local financial support, medicine and packages of food. The possibilities of participating in a program of evacuating Jewish refugees from the Balkans have been explored with them by us and it now appears possible to evacuate from Rumania approximately 180 of these Christian Jews provided Palestine certificates can be obtained by them. The Jewish Agency in Ankara apparently is not disposed to make certificates available to Christian Jews so Israel's Missionen is trying at the present time to obtain these certificates through the Bishop of Chichester and through the International Hebrew Christian Alliance in London. Although this group is obviously concerned primarily with its own mission group it is performing effective work of direct benefit to a few thousand refugees and is in a position to give the War Refugee Board valuable assistance in carrying out certain programs of importance. It is believed that this organization should receive American encouragement in the form of financial support in view of the limited funds of this organization. The organization at the present time lacks about \$2,000 per month of being able to carry out its current program in full and we recommend that American support to that extent be found by the War Refugee Board. We are forwarding by airmail a statement of the operations and future plans of the organization. The organization has an affiliated organization in New York which may be in a position to provide the funds needed.

JOHNSON

DOMIN:EL 5/22/44

PARAPHRASE OF TELEGRAM RECEIVED

227

FROM: American Legation, Stockholm
TO: Secretary of State, Washington
DATED: May 19, 1944
NUMBER: 1772

SECRET

Following message for War Refugee Board is our No. 18.

Last night a lengthy discussion was held by Olsen with Class Westring, Swedish Consulate General in Oslo who is returning today to Oslo. He has been actively concerned with Swedish relief activities in Norway and the evacuation to Sweden of several Jews in concentration camps in Norway have been personally arranged by him. He states that at the present time the lack of local funds in the right hands to carry out the operations is the main obstacle to effective relief activities within Norway as well as further evacuations to Sweden. As outstandingly distressed groups, he mentioned the families of those in Norwegian concentration camps, the families of Norwegians deported to Germany and the families of clergymen, members of the Supreme Court and intellectuals who are interned as a result of compromising themselves politically. The families of many of these people are completely without funds for living.

In emphasizing to Westring the anxiety of the United States regarding this matter and the steps we are preparing to take, Westring said he was willing to act as intermediary in getting funds both for evacuation operations and for relief activities into the hands of appropriate Norwegians. Plans were worked out under which any funds obtained from America would be turned over to an appropriate person in the Swedish Foreign Office who would make available to Westring the Norwegian equivalent. Also plans were made whereby there would be channeled through another appropriate official in the Foreign Office communications to and from Westring.

It is strongly urged that the War Refugee Board find support for this program to the amount of \$10,000 per month as the foregoing seems to be an unusual opportunity for carrying on certain essential operations through responsible and skillful channels.

JOHNSON

DCR:IDB:HL 5/22/44

CABLE TO BERN

From War Refugee Board to Harrison

Please deliver the following message to Isaac Sternbuch, 3 Tufenen Strasse, St. Gallen, from Rabbi A. Kalmanewitz of the Vaad Mahatsala Emergency Committee:

Remitted 64,350 Swiss Francs to you through Polish Ministry of Finance for transfer to Rabbi Shmulewicz with instructions for distribution among Rabbis and scholars. Please reply when arranged and also if previous remittance of 85,800 Swiss Francs arranged."

THIS IS WEB CABLE TO BERN NO. 21

May 19, 1944
3:05 p.m.

FM:lab 5/19/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara
TO: Secretary of State, Washington
DATED: May 19, 1944
NUMBER: 207

SECRET

Following is Ankara's No. 60, from the Ambassador for the War Refugee Board.

Reference is made herewith to my message dated May 2, No. 788.

On May 17 the Bulgarian ship SS MARITZA from Constanza with 316 Jewish refugees on board appeared off the port of Istanbul and permission to enter was requested. Despite the fact that the MARITZA again arrived without proper papers and that the refugees on board were without Turkish entry or transit visas and without Palestine entry certificates, it has been directed by the Minister for Foreign Affairs that the refugees be permitted to land, and the Minister of Communications has been requested to provide immediate transportation to Palestine for them. The British authorities in Istanbul last night issued the requisite Palestine*entry certificates.

STEINHARDT

CONNECTION ON
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara
TO: Secretary of State, Washington
DATED: May 19, 1944
NUMBER: 907

SECRET

The number of this telegram was erroneously marked
207. The correct number is 907.

LC-333

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

Istanbul

Dated May 19, 1944

Rec'd 4:45 p.m.

Secretary of State,
Washington.

298, May 19, 11 a.m.

FOR HIAS ICA EMIGRATION ASSOCIATION, 386 4th
AVENUE, NEW YORK CITY, FROM SCHWEITZER.

Reference your telegram dated May 4 requesting report on rescue work. Have made a study of situation under the auspices of JDC and Jewish agency and have discussed entire subject with the Ambassador who is charged on behalf of War Refugee Board with task of rescue work and without whose understanding and appreciation of humanitarian effort and cooperation work would be impossible of realization.

Situation is as follows: One. Several small boats carrying 250 each have brought so far 1,000 refugees from Rumania and Hungary. Jewish agency guarantees certificates for Palestine and Turkish transit ^(visas) have been granted through intervention of Steinhardt.

Two. This work continues under auspices and financial responsibility of JDC and Jewish agency.

Three. It is suggested that we participate in work mentioned above, and I therefore urge Hias appropriate \$100,000. Suggest you obtain license through War Refugee Board to export funds to country which I will designate in later cable. Failing obtain license you should guarantee pay above amount after war.

Four. Other methods being tried rescue as many as possible from Hungary but nothing concrete so far.

Five. Refugee transportation by rail now reduced to minimum.

Six. Turkish steamer TARI ready to sail for two weeks but prospects obtain German safe conduct now remote.

Seven. There are no refugees in Turkey which

serves only

- 2 -

serves only as a transit stop. Not more than 100
now here and all in occupations.

SQUIRES

MRM-EJM

Dispatched May 30, 1944.

From American Embassy near
Government of Yugoslavia.

Dated: May 19, 1944

Received: May 24, 2 p.m.

Secretary of State

Washington.

4-19, May 19, 1 p.m.

May despatch no. 25, March 24, 1944.

The following is the text of a communication no. 1727 of
May 16, 1944 from the Royal Yugoslav Ministry of Foreign Affairs:

"Referring to the Aide memoire of the Embassy of the United
States of America dated March 21, 1944, concerning the aid to the
victims of enemy oppression, the Royal Yugoslav Ministry for
Foreign Affairs have the honor to inform that the Royal Yugoslav
Government have taken on May 10, 1944, the following decision:

"The Royal Yugoslav Government with pleasure acknowledge
the executive order issued by the President of the United States
of America on January 22, 1944, in which the President of United
States stated that it is the policy of the United States to take
all measures within its power to rescue the victims of enemy oppression
who are in imminent danger of death and otherwise to afford such
victims all possible relief and assistance consistent with the
successful prosecution of the war.

"The Royal Yugoslav Government agree with the above expressed
policy and are ready to cooperate in every action on that question."

"The Yugoslav diplomatic representatives and other organiza-
tions have received instructions to give all the possible aid
to the Allied and international bodies concerned with the question
of war refugees."

MacFague

WJ/caw

DEPARTMENT
OF CAR

STATE

OUTGOING

TELEGRAM, 1944

234
DIVISION OF
COMMUNICATIONS
AND RECORDS

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

7 p.m.

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

EMBASSY,

CHUNGKING.

682

FOR ADLER FROM THE SECRETARY OF THE TREASURY

Please cable immediately the most recent black
market quotations for U. S. dollars in terms of Chinese
national yuan. Include the markets in the leading cities
of China.

HULL

(GL)

DEPARTMENT OF STATE
MAY 29 1944
DIVISION OF
COMMUNICATIONS & RECORDS

FMA:GL:ja
8/19/44

NOT TO BE RE-TRANSMITTED

COPY NO. 11

SECRET

OPTEL No. 160

Information received up to 10 a.m., 19th May, 1944.

1. NAVAL

HOME WATERS. 17th/18th. H.M. Destroyers engaged E-boats off LYME BAY and also off CASQUETS. One E-boat sunk, another damaged and one of H.M. Destroyers slightly damaged. A

ANTI-SUBMARINE OPERATIONS. 18th. U-boat sunk by Catalina northeast of FAEROE ISLANDS.

2. MILITARY

ITALY. To noon 18th. CASSINO captured by U.K. troops and Monastery by Polish troops of 8th Army. Isolated pockets of enemy resistance being cleaned up. Canadian troops north of LIRI River reached area 3½ miles east of PONTECORVO. Further south French and U.S. troops have continued their advance and are close to road from PICO to ITRI.

BURMA. 17th. U.S. and Chinese forces attacked and captured Southern airfield at MYITKYINA. Enemy surprised and little resistance met. Chinese continue to make progress in SALWEEN area.

3. AIR OPERATIONS

WESTERN FRONT. 18th/19th. 17 Mosquitoes attacked ORLY airfield near PARIS, steel works near CAEN, and CHATEAUDUM ammunition depot without loss.

ITALY. 16th. 159 medium bombers and 250 fighter bombers attacked railway and other targets in Central and Western ITALY. 543 light and fighter bombers attacked targets in battle area. Enemy casualties 7, 0, 0, for four fighters missing.

YUGOSLAVIA. 18th. Fortresses and Liberators dropped 71 tons on BELGRADE and 153 tons on NIS and adjacent area.

RUMANIA. 18th. Fortresses and Liberators dropped 445 tons on oil refineries PLOESTI through heavy cloud.