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*Copy to Prof Angell-¹
10/21/44-*

October 20, 1944
9:15 a.m.

AMERICAN DELEGATION ON BRITISH LEND-LEASE

Present: Mr. White
Mr. Acheson
Mr. Taft
Mr. Casaday
Mr. Angell
Mr. Collado
Mr. Currie
Mr. Cox
Mrs. Klotz

H.M.JR: I think, gentlemen, if it is agreeable to you, the first thing I am going to take up, which I haven't read carefully, is a letter from Mr. Patterson.

(Reading) "The attached paper addressed to the United States Committee dealing with British requirements for Stage II outlines the principles to be adhered to by the War Department Subcommittees working with the British on the military items in the British book.

"These principles are of course subject to your review, but we believe that by adhering to them our Subcommittees will arrive at conclusions on the various military items listed by the British that will be satisfactory to both."

And "Memorandum to the U.S. Committee Dealing with 'British Requirements for the First Year of Stage II':

"The War Department believes that the following principles must govern the consideration of the statement of requirements of the British Government in Chapter I, 'Munitions Program for 1945' of 'British Requirements for the First Year of Stage II':

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"a. Requirements must be those for British participation in approved operations against Japan which have been established by the Combined Chiefs of Staff and for British participation in occupation of Axis countries."

MR. CURRIE: That doesn't include the maintenance of the forces in the Mediterranean.

MR. COX: Or the Middle East. And you will get into some political coup by drawing distinctions between soldiers in one part of the world and another.

H.M.JR: (Continuing) "b. Requirements being satisfactorily established, they must first be satisfied from equipment already in the possession of the British Government, or reasonably obtainable by production from British sources and not required for other approved military purposes. As illustration, it appears that the present strength of the R.A.F. is over twenty-five thousand heavy bombers, more than four thousand medium bombers, more than two thousand light bombers and over eleven thousand fighters."

Needless to say, this is entirely confidential.

"Many R.A.F. types are entirely suitable for the war against our forces from the European theater with their currently assigned aircraft in the majority of cases. It is only reasonable that the R.A.F. should do likewise. Similarly, it would seem that, for occupation and other purposes, substantial amounts of first-line combat materiel will not be required. In the light of the foregoing the quantities requested by the British appear high.

"c. Such allocations as are made after satisfactory establishment of net requirements as above set forth, cannot be in the form of firm delivery schedules, but must be subject to military urgency of the U.S. Army and U.S. Navy, the entire situation being dealt with on the basis of monthly review by the regularly established military procedure (Munitions Assignments Board). It is unthinkable that commitments already assumed by our own forces and necessary supply of these forces should be subordinated to form commitments to satisfy British requirements.

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"d. Allocations of U.S. material shall not be from new production except as all existing combat-serviceable stocks are exhausted.

"e. No allocations shall be considered which would entail increase in existing facilities or which would require reopening of closed facilities."

Of course, I think if they need this stuff you have got to get it. It is just too damned bad if they have to start another factory.

"2. If the foregoing principles are accepted and adhered to, it should be possible for military British - U.S. sub-committees to resolve the British requirements with U.S. availability in a very short period of time. It is recommended that military sub-committees be appointed to discuss the stated Navy, Army and Air requirements, respectively."

Well, I don't think we could spend our time any better than in discussing this, do you?

(To Mrs. Klotz) Did you have a copy made?

MRS. KLOTZ: Yes.

H.M.JR: Is there more than one? Will you ask for one copy for State, one for FEA, and one for the Secretary?

MR. CURRIE: Did you intend to discuss that with the British this morning?

H.M.JR: No.

MR. CURRIE: We ought to spend a little time considering what we are going to take up with the British this morning.

H.M.JR: All right, Lauch, let's do this. This is a very competent group present here today. If they would be

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willing to take this and advise me before I leave at four o'clock, so I can answer this - I think this has to be answered today.

MR. ACHESON: Yes.

MR. WHITE: Why couldn't we adjourn after the British meeting and then we will discuss it and make recommendations to you after that, because I think you will want to discuss this Page One which you promised you would let them know about, and which raises some difficult questions.

H.M.JR: Yes, but this thing is disturbing because it does not come within the spirit of the Quebec agreement.

MR. ACHESON: No, I think some of those things are--

H.M.JR: Bob Patterson said he would do this thing, and he said there was nothing here. They are throwing a lot of if's, and's, and but's around here.

MR. WHITE: I should imagine, Mr. Secretary, that this could be within the spirit in this sense, that they should never have asked for anything that didn't fall within this. I am speaking of armaments, because if the armaments - it isn't like industrial commodities which can save them dollar balances. The answer is, if they don't need these for these purposes, then they shouldn't be produced even for themselves.

H.M.JR: Yes, but there are a lot of things.

MR. COX: It does affect the dollar balances indirectly. If they have to produce, for example, thirty caliber rifles for use in the Middle East and Mediterranean, that means their productive capacity has to be used--

MR. WHITE: Their answer to that is they don't need them for the Middle East.

H.M.JR: I think you have to keep this in mind, gentlemen, that I don't think the Army really wants the English

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in the Pacific, anyway, and if they can have them come there with a tin sword and a lead helmet, and as ineffective as possible, that would please the Army very much. So I think you have to keep that in mind. They don't want them and the less they give to them the more pleased they will be.

MR. ACHESON: What is the attitude of the Navy?

H.M.JR: I haven't had a chance - Forrestal is coming over for lunch. I will know better after that. But when I had Patterson alone he was fine, but somebody has gone to work on him.

Well, we will give you gentlemen copies so you gentlemen can advise me on this thing.

Now, what was the thing that Lauch or Harry said they wanted to bring up?

MR. WHITE: Page One, which Keynes, at the last meeting, said he presumed if that were acceptable that would be sufficient in lieu of the letter which you said you didn't think was necessary.

H.M.JR: Just Page One or the whole business?

MR. WHITE: He just referred to Page One.

MR. TAFT: Those four items.

H.M.JR: Can we answer One in the light of Mr. Patterson's memorandum?

MR. WHITE: I should think so, partly, because under the principles which are stated in that letter, the Army can do pretty much what they want.

H.M.JR: Harry, if once we give our word, we can't go back on it. I don't see how we can answer One until we have very carefully examined Patterson's letter.

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MR. COX: Mr. Secretary, you have to go even beyond that. One is an attempt to take the Quebec Conference thing and everything in this book, practically, and generalize them into things that they think are applicable in the whole book. My judgment would be that it would be much sounder to take large areas of the practical cases involved and pass on them in the spirit of the Quebec thing, rather than trying to come out with generalizations, because I think you can formulate, with reference to specific problems, statements of policy which can be used by the administrative people that will be workable and also won't cause you as much political difficulty.

H.M.JR: Do you people agree with White that One is not in conflict with Patterson's letter?

MR. CURRIE: We have a slight change to suggest. It is a pretty binding commitment near the end of One - "Also to make possible the release of manpower for munitions production in the U.K. to the extent explained herein."

We think if the "herein" was changed to "extent agreed upon," that would make it satisfactory. We can't give a blanket commitment that we agreed to all the releases explained in this volume.

MR. WHITE: It seems to me, Mr. Secretary, that is the kind of basic point that I thought you were going to raise. You were going to permit them to release manpower approximately to the extent which they have indicated here. Now, how that release will be made possible, whether it will be through the armament program or through some other program, is a matter for decision, but I thought that that was one of the principle--

MR. CURRIE: But the only point here, Harry, is accepting the words, "to the extent explained herein," you are in a way accepting the whole program - if you say "to the extent agreed upon."

MR. TAFT: Chapter Three has nothing to do with this, though, it is only the manpower.

MR. ANGELL: This allows the British to interpret themselves what the agreement means in terms of these figures, and the manpower requirement which we are not able to consent to.

MR. CURRIE: Agree in principle on the release of manpower for production, but that is one of the principal points of discussion.

MR. WHITE: One way to approach it is by ignoring this first page entirely as Oscar suggested, and which appeals to me. I don't know why we should have another commitment on top of the first commitment. You are going to work and when you reach the first obstacle then you can compare the failure to agree with the Quebec agreement. That is one way, and that is the way that seemed to me to be highly desirable.

There is the other way they want, and which I think they are fair in pressing - though from our point of view I don't think we ought to agree - and that is to agree on what the over-all policy is. They want to cut their production back by twenty-six percent. That is what they want to release.

Now, either we want to take the position we don't know what the cut-back shall be - we want to avoid that--

H.M.JR: Harry, if you remember, they started out at Quebec with a memorandum from the British Treasury, which is available to you gentlemen if you would care to see it. I haven't circulated it, but if you would like to see it--

MR. TAFT: It has been circulated; we have copies.

H.M.JR: We were going to do this thing on a strict percentagewise basis, and I objected. I don't know - I should know, but I don't know. Unallocated funds are left in Lend-Lease. I mean, what they have asked for - supposing they got everything they asked for here except that five or six hundred million of dead cats, how much unallocated funds are there left in Lend-Lease?

(Mr. Casaday enters the conference)

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MR. COX: That is one of the judgments you have to make before you can--

H.M.JR: But that is a known figure, isn't it?

MR. CURRIE: It depends on the continuance of the war in Germany, Mr. Secretary.

H.M.JR: As of today, what are the unallocated funds?

MR. COX: About four million dollars, but you have commitments against them for the Russian program and other programs. For the amount that could be allocated for this, they would have to resurvey the whole thing and see what they could knock out.

H.M.JR: Just to go back a minute, I am not an attorney, but you take that sentence, "Also to make possible the release of manpower for munitions production in the U.K. to the extent explained herein." I could term that a commitment; therefore I would like to know what Dean thinks. I would rather proceed and then if and when we reach an impasse we can examine it and apply the Quebec principle to the impasse. What would you think?

MR. ACHESON: I think that is all right. I hadn't understood that any commitment which was made at Quebec, or would be made if you agreed to this paragraph, would mean you would do it whether or not you could get the appropriation from Congress. I assumed that this was an understanding between the Executive Branches, and if you couldn't get it from Congress then you couldn't carry it out. The British would understand that.

H.M.JR: These various points will come out. Unfortunately that point was never raised. The understanding was this: They were asking - I forget the figure in the Quebec agreement--

MR. COLLADO: Six and a half.

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H.M.JR: That, provided they could justify - this is the way I understood it - Mr. Roosevelt was committing himself to six and a half provided they could explain the thing satisfactorily to this Committee. He was ready to commit himself to the six and a half without any committee or without any looking at it, but it was not raised - I mean, nobody raised the question of whether we did or didn't have the appropriation.

It was a pretty firm commitment, Dean. He really went all-out, provided they could justify it. Have you read the conversations back of it?

MR. ACHESON: I read two memoranda.

H.M.JR: One which I call an agreement, and the other a memorandum of the conversations.

MR. ACHESON: Yes, and those are the things in our telegram.

MR. TAFT: I am not sure what the Secretary means by an agreement.

MR. COLLADO: A short initialed piece, I think dated the 15th, and behind it is a longer memorandum of conversations of the 14th.

MR. TAFT: The 15th doesn't really go into what you agreed to.

MR. ACHESON: That memorandum of the 15th just sets up the machinery.

H.M.JR: But the conversation of the 14th - the reason we did it that way was we couldn't write an agreement; therefore I suggested that we have an agreement and back it up with a conversation because it was too difficult--

MR. CURRIE: I think this first point is important. It is in accord with the Quebec spirit and I would have no hesitation in putting myself on record for it, that we are

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not insisting that the British make all the things they can make before they ask us for anything. That is really what this says. I was only objecting to our giving a commitment at the beginning on all the rest of this document, because that is something we will have to discuss and something we will have to be mutually agreed upon. But the principle we can accept.

H.M.JR: Well, I think you are raising these points - I can answer. There is no question. The point is that the British were very keen to take part in the Pacific war. Then they are very keen to release enough workers for munitions production, to put them to work manufacturing goods that they can export. And then I would say the third thing that they were anxious for was to increase the standard of living - the food of their people. All of those things are mentioned, all of them were agreed to. And I think that is pretty much the way I understand it.

MR. WHITE: Mr. Secretary, so far as the written document is concerned, unless you want to clothe it in other conversations that did not appear in the written document on the conversations, as I remembered it, there is not a firm commitment as to amount.

I would like to read the key sentence, if I may, Mr. Secretary. This is in the conversations: "The exact needs would have to be re-calculated in the light of the decisions on the military matters reached at the Conference." That is with respect to munitions. "The non-munitions requirements had been put at three billion dollars gross, against which a considerable amount would be set off for Reverse Lend-Lease. The President agreed that it would be better to work on figures like these than on a proportional basis."

In other words, the President agreed it would be better to work on those figures, but there has to be a re-calculation in the light of the needs.

H.M.JR: But there is another sentence there somewhere.

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MR. WHITE: Not where any amounts are mentioned. There are many other important sentences.

H.M.JR: Isn't there something--

MR. COLLADO: The first sentence, Harry, talks about a redistribution of effort.

MR. WHITE: Oh, yes. There is a statement there with respect to the fact that there should be manpower released, but it doesn't say how much. Churchill did want a proportionate amount.

H.M.JR: May I see that a minute, please? The first thing is just the thing that I said. "The President and the Prime Minister said that when Germany was overcome there would be a redistribution of effort in both countries. The President indicated assent."

This is the thing: "He understood that munitions assistance required had been calculated by the British at three and a half billion on the first year, on the basis of strategy. The exact need would have to be re-calculated in the light of the military matters. Non-military requirements would be put at three billion. The President agreed it would be better to work on figures like this than on a proportionate basis," but the President agreed it would be better to agree on figures like these - which would mean six and a half.

MR. WHITE: It depends on what you mean by working on.

H.M.JR: We were sent up to work on them.

MR. WHITE: But I gather that the working on of those figures did not tie you to those figures.

H.M.JR: No, but he agreed that we would work on those figures, the figures being six and a half.

MR. WHITE: I don't like to press the point too much, but I thought the difference of opinion was that you were insisting that the matter not be approached from a question of proportions, but that their exact needs be the basis of discussion.

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H.M.JR: If I hadn't been there the President would have agreed to the six and a half on the spot. Then I suggested that this Committee be set up to examine it.

MR. WHITE: That is right, which means - if I interpret it correctly - because this was the basis of discussion there - that meant that you have flexibility in plus or minus.

H.M.JR: But we start with six and a half and then it is up to them to justify.

MR. WHITE: As long as you are not tied down to the figure, because this is the third time, Mr. Secretary, that they have tried to tie us down to the figure.

H.M.JR: If there is anything unreasonable, it is out. But that is the springboard. We can go above it, we can go below it. That is all.

MR. ANGELL: Isn't that simply an expression of preference for dealing in absolute figures rather than percentages?

H.M.JR: That is right.

MR. ANGELL: There is no other commitment.

MR. COX: Mr. Secretary, as to these generalizations, Patterson's letter and memorandum is one attempt to make it more specific. I think you will also find there will be a great many technical problems involved where you will have to state it more specifically in final form than the generalization is. For example, if they want some additional rifles, and we have to add additional capacity, I would assume that probably wouldn't be done because it is a non-standard item and they may have capacity.

If you add the words, "to the extent agreed upon," that is just another way of saying that when you get a piece of paper with a lot of statements as to munitions, that is what you have agreed on and that is what the administrative people can follow.

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But I think the guide is going to have to be a good deal more specific than just the release of manpower, and everybody assumes that under the Quebec understanding.

H.M.JR: I think this, unless some of you gentlemen disagree, that we ought to ask them not to press for this thing today, and wait until we get a little further along.

MR. ACHESON: I think you will have to do that, in view of Patterson's letter. From what you have told us about it, it seems to me that this is a fair statement as to what the general understanding was in Quebec, subject always to the fact that the President couldn't commit himself to provide more money than Congress has given him to provide. All he can do beyond that is to say he will do his best to get it.

H.M.JR: Unfortunately, that wasn't said, but I might say it was implied. But I think the thing to do is to ask them - "Please let's get started, and don't superimpose anything on us other than what we have got, and if at any time you feel that any of these committees are not living up to the Quebec Conference, then is time enough to raise it." Because this thing has been drafted by some very clever, intelligent people, and there might be something there that, speaking for myself - that I didn't detect.

MR. WHITE: In answer to Dean's comment, I think that first paragraph does reflect the spirit of the conversations with the exception of the one point which Lauch points out. The President had agreed they should get the munitions on Lend-Lease and that they should release manpower, but the proportions, the exact amount of how much manpower, and so forth, was not agreed upon by the President.

MR. CURRIE: I don't think we could accept, now, the phrase "to the extent agreed herein."

H.M.JR: Well, we have all agreed.

MR. WHITE: I wanted to correct Dean's interpretation of the conversation. I thought he said the first paragraph

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reflects it. I say it does, with the exception of that quantitative statement.

MR. TAFT: Mr. Secretary, on Number Three, I think if you let that pass without saying anything about it at this stage there might be some misunderstanding, because I don't think that quite reflects--

MR. ACHESON: No, Number Three - at Quebec there was a definite reservation about Lend-Lease goods and identical goods being exported which is not covered in Three.

H.M.JR: What page is that?

MR. ACHESON: That is the first page.

H.M.JR: Well, Mr. Taft, I thought that I was going to say to them this morning, if we are in a hole, of course, that this whole introduction, that we waive it for the time being.

MR. CURRIE: Mr. Secretary, our problem on the civilian side of Lend-Lease is more difficult than the military side because it is a question of more or less, and the more or less on the civilian side depends partly on these other considerations. It depends partly on their effect on the dollar position, on the balance of payment, and on the question of re-exports. These rather broad underlying assumptions are almost necessary for us to come out in the final analysis with the civilian Lend-Lease program.

H.M.JR: Do you mean you want to discuss Three now?

MR. CURRIE: I think if we do discuss individual items we will have to come back to this.

MR. WHITE: I think we ought to discuss it among ourselves, but not with the British in this first stage.

H.M.JR: Could I do this for a minute - we will come back to this. What I would like to get advice from you people on is this. On the civilian side, all these very

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important items, how do you people think we should proceed? Do you want to proceed as a committee as a whole, and take up all of these things, or do you want to split up food, oil, shipping, or what would you suggest?

MR. ACHESON: May I say something before, which bears on that? I think before we split up we ought to stay together until we have gotten some general solution of about two important problems which seem to me to settle almost everything else in this civilian side of it. They come from these central facts.

When you were speaking to us the first time we met, and told us about the agreement at Quebec and the spirit of the thing and what we were supposed to do, the question was raised as to whether we should attempt to keep the dollar balances at some particular point, and you said you didn't think that was the spirit of Quebec, that we were to go ahead on the general program, and if the balances rose, that was something else.

H.M.JR: That is right.

MR. ACHESON: Now, the British have come in with a very strict position which is that they are not going to claim an increase in their balances, but that they don't want a decrease. Now, if their figures are right - and you will know more about that than we will, as to their respective position - then anything you cut out of this program will bring down their dollar balances and may bring them down very severely. So we have a decision here of knowing what to do in case some of the things they put forward aren't feasible.

For instance, in Chapter Three, these dead cats that you mentioned the other day, if you throw out those it comes somewhere up to five hundred million dollars, which, if their other figures are right, is very serious for them.

H.M.JR: May I answer this, because I have had a chance to talk to them about that. It will only take a minute.

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I have told them that the dead cats bother me very, very much, and I realize their position, that if their balances get below a true billion dollars - I mean the offsets, and all of that sort of thing - no, I did not say that. They were saying - I didn't make any comment - they were saying that if they went below a billion dollars, then they said they couldn't participate in a lot of things they would like to, and things that we would ask them to. And the only comment that I made was - I listened very closely - was that I didn't know how, but I thought it would be much easier to find five hundred million fresh dollars from some place to assist them if the picture was as they painted it, than to try to thrash out these dead cats which they say they put in in order to help their dollar position.

MR. ACHESON: Well, it does in this way, that if that is the course that we are going to take--

H.M.JR: But I made no commitment. I just listened.

MR. WHITE: You asked one question I think Dean would be interested in. You asked them what they meant by that statement. They said they might not be able to afford the commitments they had for relief.

MR. ACHESON: That was spit up before, yes.

H.M.JR: "When you say you won't be able to participate, what do you mean?" They said, "Well, take UNRRA, for example."

MR. ACHESON: What I was getting at is, if that is so, and we are looking for some other way to deal with the problem, that is going to affect decisions which would be made in the civilian field somewhere else. Now, that raises very much the question we were just talking about in connection with paragraph Three, exports. They have in some items of raw materials. It seems to me there isn't much objection to any of those items except possibly cotton, that we have got to make up our minds about.

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H.M.JR: You mean the re-export of finished goods?

MR. ACHESON: Yes. They are not going to have any finished goods, and most of the other things they have are not going to be particularly difficult, including the rubber, which I think we could get around - but we have a question on cotton. That is a political decision. If you take cotton out, then there is another considerable hole. How are you going to make that up? The whole basis of their figures include some recovery of their export trade. We have to have decisions on that.

Those are about the only two major points, and if we could thrash those out in this Committee before we split up--

MR. TAFT: You mean on the U.S. side?

MR. ACHESON: On the U.S. side, here.

MR. WHITE: You don't mean this morning. You mean before we break up into small groups.

MR. ACHESON: Because if you have a small group that goes off and works on petroleum, and it hasn't your instructions on this broad policy, they are going to come out with a whole series of cuts all along the way which will bring this a billion dollars short of the mark.

MR. WHITE: I would like to suggest another approach.

H.M.JR: Could you just wait a minute? On the over-all - and I am not going to lose sight of the thing - I mean, it is difficult to work it out, and I realise that, but everything is difficult these days. The thing that I would like to strive for, and the thing that I asked them, is this, that when we get through whatever we are doing, that we take England and put her back, at least start her back, on the road to recovery. Now, that is the objective that I would like to aim for. Therefore, to do this thing - well, I don't want the Army or anybody else to be "persnickerty" about this thing, because if each group is "persnickerty"

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and says, "Well, we won't start a new factory," just as a principle - now, it may be very important. It might be some important secret weapon that couldn't be done except in a new factory. I don't know, but it is perfectly possible.

The objective, as I see it, is to start England back on the road to recovery and a place in the sun. That is the way I see the thing.

MR. COX: That is right.

H.M.JR: I realize it is a terrific job, but that is what I look at as the mandate I am trying to carry out with the help of everybody else.

MR. WHITE: I think there may be another approach which may not be an alternative, but it is a welding of both approaches. That is, supposing the Army goes ahead with their discussions on the basis such as they have - that is what is decided; supposing they go through that? They may end up with approximately what the British have asked for, or they may end up with something like twenty-five or fifty or some insignificant amount less. That avoids the question of discussing the principle.

The same with the FEA. You go through the individual items and see what is politically feasible; for example, rubber, you can work that out. Take cotton, you may be able to work out something on cotton along the lines that Oscar suggested a few weeks ago. So you may go down to each item and, pursuing the principles of the individual item, you may end up with an amount which is so close to the aggregate that you don't have to raise the question of the general principle at all.

Then when you come to this Three, in which they want to take special measures merely to augment their balances, then that is a problem we will have before us, and which we will have to discuss among ourselves. But I think it is quite possible, Mr. Secretary, to proceed along the lines of taking their program with the individual items and

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then see where it is leading us, and then meet again in a few days or a week to see whether it is leading to any significant deductions.

We may find that the problem is a lot easier than appears on the surface. Whereas, if we start now to discuss the general principles and if we give instructions to the committees that you have got to have that magnitude, you are almost telling them that there is no use of working, accept it - just accept the principle as is. Their decision isn't final, Mr. Secretary. They have to report back.

H.M.JR: Harry, we have four minutes. Can't we tell these people, without letting them know these various doubts - simply say we are not prepared at this time to accept this thing, that we would like to just leave it? Isn't FEA prepared to take up some of these other things?

MR. CURRIE: I have already started our people on the examination of all the individual items, from the point of view of supply, lend-leasability, and so forth.

H.M.JR: I don't want to seem as though we were stalling. Sir Robert Sinclair, who is here just for this - aren't you people ready?

MR. TAFT: He is in the War Office, isn't he?

H.M.JR: Production, isn't he?

MR. COX: I think we are ready.

H.M.JR: I mean, without telling them of these doubts - and then couldn't you gentlemen - because I am leaving this afternoon for a couple of days - couldn't you people, at this level - which is a very high level - discuss these things? I am available on the telephone.

What do you think, Dean?

MR. ACHESON: I think that can be done if we are very careful not to have these doubts come out at low working

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levels, so we don't go backwards into the White Paper and say, "Now we had better insist on the White Paper." Then they are going to come back to you and say that the spirit of Quebec is not all through this Government, and you are going to be in hot water.

H.M.JR: I think this, Dean, that if the FEA will be just a little careful and they can push those things which they know they are all right on, and go slow on, say, cotton--

MR. CURRIE: We can go a long way with them on the individual items. When it comes to requests for reinstatement of things that were knocked out last January, then we have to come back for guidance.

H.M.JR: In the meantime, all of those things in Chapter Three, I think, like tobacco and off-shore sugar - they didn't bring up fish - I wonder why not?

MR. COX: Mr. Secretary, there is one major question of procedure here I think ought to be discussed for a minute. Tied in with this export thing they have put the basic raw materials that go to war production, as I read this document, in the military program. Now, I don't suppose you want the Army to be discussing the steel and the cotton that is used for military production purposes. In the past the procedure has always been for FEA or its predecessor, Lend-Lease, to take those up.

That is very closely related to the export question because the stuff they propose to take on a cash basis to export is only a minor part of the raw materials which are expected to move under Lend-Lease. So I think it might be wise to ask the Army to take that out and turn it over to a civilian committee.

MR. WHITE: Why wouldn't it just be better to tip off our Army on that, and when they come to those items, to just state that, rather than raising it with the British.

MR. COX: That is all right with me.

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MR. TAFT: That means that the Secretary ought to speak to Mr. Patterson about it.

H.M.JR: (To White) You call up.

I think what I am going to do - I have been very frank with these people, and I think I will be equally frank and tell them just where we are at, because this crowd, I think, appreciates it.

MR. ACHESON: I think it is better.

H.M.JR: Now, as I understand it, when this meeting is over you are going to meet somewhere else, and meet at your own convenience as much as possible, and try to thrash some of these things out.

MR. ACHESON: Yes, we will meet on this letter right afterwards.

H.M.JR: Right. Then, if possible, give me something to say to Mr. Patterson, because I assured them that we would work as hard as we could on this.

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Regraded Unclassified

We have carefully gone over the memorandum and believe that the rules laid down in I, paragraphs A, B, and E of the memorandum seem to be too rigid to fall within the general understanding reached by the President and Mr. Churchill at Quebec. I am not sure that it is possible or desirable at this time to attempt so precise a formulation for the determination of these matters or to meet the changing needs of the war any more than it has been possible to do so in the past. Broadly speaking, the general understanding was that the British munitions requirements under Lend-Lease should be those necessary for its participation in the war against Japan in accordance with the strategic agreements reached at Quebec and to carry out other obligations which would remain to the British elsewhere after the collapse of Germany, which were only described at the Quebec Conference as "reasonable needs". It was also understood that these requirements were to be considered in the light of some reconversion to civilian production in both countries.

Sincerely,

Secretary of the Treasury

CONFIDENTIAL

MEM IDA:IBC:OC:CT:LS
10/20/44

23

HM JR gave copies of this letter

● to State, FEA, and Angell on 10/20/44

Oct. 19, 1944

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Copy to Dr. White with instructions to speak
to HM Jr about it tomorrow morning.

WAR DEPARTMENT
OFFICE OF THE UNDER SECRETARY
WASHINGTON, D. C.

TOP SECRET

October 19th, 1944.

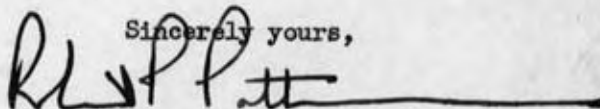
Honorable Henry Morgenthau, Jr.,
Department of the Treasury,
Washington, D. C.

Dear Henry:

The attached paper addressed to the United States Committee dealing with British requirements for Stage II outlines the principles to be adhered to by the War Department Subcommittees working with the British on the military items in the British book.

These principles are of course subject to your review, but we believe that by adhering to them our Subcommittees will arrive at conclusions on the various military items listed by the British that will be satisfactory to both.

Sincerely yours,



Robert P. Patterson,
Under Secretary of War.

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WAR DEPARTMENT
OFFICE OF THE UNDER SECRETARY
WASHINGTON, D. C.

October 19, 1944.

MEMORANDUM TO THE U. S. COMMITTEE DEALING WITH "BRITISH REQUIREMENTS
FOR THE FIRST YEAR OF STAGE II"

Subject: War Department Comment on Munitions Program
of "British Requirements for the First
Year of Stage II"

1. The War Department believes that the following principles must govern the consideration of the statement of requirements of the British Government in Chapter I, "Munitions Program for 1945" of "British Requirements For the First Year of Stage II":

a. Requirements must be those for British participation in approved operations against Japan which have been established by the Combined Chiefs of Staff and for British participation in occupation of Axis countries.

b. Requirements being satisfactorily established, they must first be satisfied from equipment already in the possession of the British Government, or reasonably obtainable by production from British sources and not required for other approved military purposes. As illustration, it appears that the present strength of the R.A.F. is over twenty-five thousand combat type airplanes including more than four thousand heavy bombers, more than four thousand medium bombers, more than two thousand light bombers and over eleven thousand fighters. Many R.A.F. types are entirely suitable for the war against Japan. We are proposing, for the war against Japan, to redeploy our forces from the European Theatre with their currently assigned aircraft in the majority of cases. It is only reasonable that the R.A.F. should do likewise. Similarly, it would seem that, for occupation and other purposes, substantial amounts of first-line combat materiel will not be required. In the light of the foregoing the quantities requested by the British appear high.

c. Such allocations as are made after satisfactory establishment of net requirements as above set forth, cannot be in the form of firm delivery schedules, but must be subject to military urgency of the U. S. Army and U. S. Navy, the entire situation

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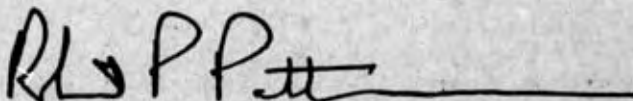
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being dealt with on the basis of monthly review by the regularly established military procedure (Munitions Assignments Board). It is unthinkable that commitments already assumed by our own forces and necessary supply of these forces should be subordinated to firm commitments to satisfy British requirements.

d. Allocations of U. S. material shall not be from new production except as all existing combat-serviceable stocks are exhausted.

e. No allocations shall be considered which would entail increase in existing facilities or which would require reopening of closed facilities.

2. If the foregoing principles are accepted and adhered to, it should be possible for military British - U. S. sub-committees to resolve the British requirements with U. S. availability in a very short period of time. It is recommended that military sub-committees be appointed to discuss the stated Navy, Army and Air requirements, respectively.



ROBERT P. PATTERSON,
Under Secretary of War.

TOP SECRET

*Copies to Prof. Angell
& Mr. Frank Lee.
10/21/44-*

October 20, 1944
10:00 a.m.

BRITISH LEND-LEASE NEGOTIATIONS

Present:	Lord Halifax	Mr. Acheson
	Lord Cherwell	Mr. Taft
	Lord Keynes	Dr. White
	Mr. Brand	Mr. Cox
	Sir Henry Self	Mr. Angell
	Mr. Sinclair	Mr. Collado
	Mr. Lee	Mr. Currie
	Mr. Opie	Mr. Casaday
		Mrs. Klotz

H.M.JR: Gentlemen, we have had a discussion here. Unfortunately, forty-five minutes wasn't time enough to solve everything, but we thought we could approach the thing with absolute frankness and candor. Several things we are quite bothered about and have not yet really cleared the thing with ourselves.

This request that you made, this introduction here on page one (refers to document on British requirements for first year of Stage Two), sort of sailing orders for all of the committees--we frankly haven't had time enough to be sure that that is what we could accept. Therefore, what we'd like to ask you is this, that for the time being we postpone that and let the committees proceed. If, while we are settling it--and I assure you we are going to lose no time--some matter should come up that you feel one of these sub-committees are not complying fully with the spirit of Quebec, then there will be time enough to do something about it.

But there are some things in here which bother us. We are not prepared to say what they are, because that would throw this meeting into a very lengthy discussion. We are not in agreement among ourselves, and therefore we feel it would be best to postpone the acceptance of it. I don't want in any way to worry you. Everybody on the American side is in full agreement as to the spirit of

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Quebec, and when you try to spell it out in a document to supersede another document, that is what bothers us.

As Lord Cherwell knows, when we tried to do a document at Quebec, carrying out what Mr. Churchill and Mr. Roosevelt had said, it was difficult enough. Now, if you try to interpret that further, it just adds another piece of paper. We want to go full speed ahead, but if we try to go over every single word and every comma it will slow us up.

So therefore, we are asking you to postpone our acceptance of this for the time being. Would that be agreeable?

LORD CHERWELL: Certainly we will wait until you clarify the points, the divergence, if any.

H.M.JR: Well, I don't know that there will be any divergence. I don't want to be misunderstood. Maybe through my being too frank I will throw doubts into your mind, but I assure you as to what was said in the memorandum, back of what was said, everybody here and everybody I have talked to is in agreement. But if you begin to take a document and try to interpret that, it bothers us a little.

Please don't read into anything I am saying anything other than what I am saying. There is no news behind the news!

The other thing is this. There are certain items here, particularly in Chapter Three, that bother us greatly. There are certain things that we haven't yet-- I am being completely frank--decided on ourselves. To give an example, cotton. It bothers us considerably. We are not yet prepared to give you a solution. We are not going to give you objections; we are going to give you solutions.

Therefore, what we'd like to suggest is this: There are many items that we can go ahead with at once. FEA is prepared to proceed at once, without holding back at

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all, giving us time to talk among ourselves so we can find the solution to some of the things that you are asking for. If you should press for some one particular thing which we have not cleared in our own minds, the FEA will simply say, "Well, let's just go slow on that."

But in the meantime, we among ourselves are going to be talking and thinking and working very hard trying to find a solution to everything that you ask.

Now, I think that that states the position as it is this morning.

MR. ACHESON: I think that is right.

DR. WHITE: Yes, I think that is right.

H.M.JR: Would any of you gentlemen like to add anything?

MR. CURRIE: I think that expresses it very well.

DR. WHITE: I think it is clear that they would begin working with FEA now on their list of items.

H.M.JR: That very briefly is where we stand this morning. Now, maybe I shouldn't have talked first, but I told you the whole spirit here is to put all our cards on the table and say that is where we stand as of today. It may be that overnight you people may have some little problems that you would like to put before us. If so, we are prepared to listen.

LORD KEYNES: No, sir, I think that is a very good plan. It would clear out of the way all the less difficult items, and then we shall be able to concentrate much more on the others.

What do you think the best procedure would be for getting rid of the less difficult items?

H.M.JR: Mr. Currie, please.

MR. CURRIE: I think if we might take that up in the

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ordinary way, just as a new program comes in. Your supply people get together with our British Empire Division and the appropriate people in your Supply Division, and they work in each item in terms of availability, Lend-Lease availability, supply situation, and the normal considerations.

LORD KEYNES: I think that is what we are hoping to get away from. Clearly, that has to come at some point; but what we want, first of all, is to get the principles laid down, observing, as you say, the more difficult ones, and then when we have got the overall principles unquestionably it will have to be done as Mr. Currie suggests.

But I think we should feel that our case as a whole is rather falling into fragments if we were proceeding on extreme details very often with officials who wouldn't be cognizant of the case as a whole.

MR. CURRIE: This is merely suggested to save time, I think, Lord Keynes. For instance, I don't anticipate any great difficulties in the food program, but it is a large program. I should think it would be helpful if we could get those people started immediately to working on that and seeing whether there are any difficulties on supply grounds, availability, or Lend-Lease availability. That would not prejudice the broader discussions of the items that might be reinstated or taken out.

LORD KEYNES: Couldn't we have a sort of Steering Committee, non-munitions committee, three or four on each side, and then remit sections as we think they are ripe for the detailed examination that you suggest? It seems to me better that we should go through them together at the first stages. Some of them might create very little discussion before they were passed on; with others that wouldn't be the case.

You see, the export consideration runs like a thread through the whole thing. And it is very difficult to remit it in detail to particular divisions unless we see what pattern we are following in that respect right through.

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DR. WHITE: Isn't there a solution to that, Lord Keynes? The steering committee which you are suggesting would seem to me very helpful, but possibly at a little later stage--later in terms of days, not weeks. That steering committee would function excellently to consider those things about which there are serious doubts, instead of attempting to thresh them through to their final decision in the larger group that Lauch Currie is suggesting. They could go to the steering committee at once. There is no reason why there should be a time sequence--all these groups can work together, but they can go ahead and make a lot of progress and may find there is no obstacle at all.

Now, the moment they meet such an obstacle, then that is an appropriate item to be referred back to a steering committee or to some other group, and then they can go ahead with the others.

There wouldn't seem to be any advantage in foreseeing difficulties before they actually appear, and I gather that it is FEA's views that there are many items which would not raise any question of principle at all, and you may find there will be very few items.

LORD KEYNES: But isn't it rather a pity to have the difficulties raised too low down? I am not thinking that the steering committee would probably go into great detail at first, but that it should be remitted to the separate divisions from the steering committee, and possibly with some sort of general orders. Otherwise, we are exactly where we should have been without the machinery that we hoped we were setting up now.

DR. WHITE: There is one thing that possibly isn't clear, Lord Keynes, and that is that the Secretary indicated that some of these matters of principle which you are suggesting is the subject for discussion among the American group and will go forward at the same time, and as soon as some of those items are clarified they will be taken up with you.

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LORD KEYNES: I don't believe this is right. I think we ought to have this committee, which could be a general clearing house between us. As we are talking and as you are talking, various things will come up which warrant being discussed on that level, rather than between the separate divisions.

H.M.JR: I am not sure that I made myself quite clear. Our trouble at this moment is that there are several important things which we have not been able to make up our own minds on. When we do come to a decision, we would ask you gentlemen to meet with us again, because I certainly propose to take part in the meetings myself. As far as I am concerned, I would like this to be a steering committee. I mean, I don't want too many committees. Therefore, I am only talking about, maybe, a couple of days. Cotton is as good an example as any. We felt that if we were wrong, then we can just wait, that is all, but we felt there were things like food and a number of other very important items that Mr. Marvin Jones and his group could be discussing.

Now, Marvin Jones hasn't seen this list; and the sooner we get him the list, we felt, the quicker he could get to work on it.

LORD KEYNES: I think food is a good example, but you see in the case of food, I will give you an illustration of the sort of thing I have in mind. Our food program is something we think we can best justify against the background that the British civilian is entitled to certain estimates, to use the Prime Minister's phrase. And while perhaps three-quarters of our program is in common form--I mean on the lines that we have been used to lately--there are elements which would not be easy to justify, except on the broader considerations.

Well, now, what I am a little afraid of is, suppose this is remitted just in accordance with the ordinary procedure, just what would have happened if there hadn't been a meeting at Quebec? Then we should be getting the case a little prejudiced without knowing why this food program should be approached in a rather different spirit.

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H.M.JR: Lord Keynes, let's just stick to food. Let's be definite. What would you suggest that this body here do in order to get the food program considered?

LORD KEYNES: Well, Mr. Secretary, I think it is something we can very likely do here and now. Let us say if you have gotten far enough in our own thought, namely, that in remitting this to the Food Administration-- we should say that this is not exactly on all fours with previous programs. It implies that we use considerable quantity of stocks which we had to keep in stock during the German war, but it is also governed by an over-riding hope that in the course of 1945 there can be some easement to the civilian population, and that having regard to the various reasons under various headings given in this paper, we all hope that the Food Administration will do its best from that point of view, and should not look at it exactly as they would have looked at it six months ago. I think that is all we want.

H.M.JR: But who is going to say that?

LORD KEYNES: This committee, your side on this committee if they are convinced.

H.M.JR: Is it your thought that this committee should send for Mr. Marvin Jones and say that to him? I am trying to find out what is in your mind.

LORD KEYNES: Bring him into the discussion and give us an opportunity of discussing it with Mr. Marvin Jones. Our Food Commission, of course, has been in daily touch with him. And there will be a danger that all that would continue just as it has continued, very usefully up to a certain point for many months past, but we would not have quite the opportunity to put to Mr. Marvin Jones the case as it is set forth in this document.

H.M.JR: I am not trying to be difficult, but I don't quite understand. Is it your thought, for instance, using Mr. Marvin Jones, for example, that he be invited to meet with this committee and you people have an opportunity to explain to him first?

LORD KEYNES: That is definitely one way. One way would be to say, if you were satisfied, that this paper had given reasons why some estimates were justifiable, that you should communicate your prima facie view to that effect and hope he would consider that program in that light. If you felt that that was rather jumping things and going too fast, that he should meet partly with us and possibly apart from us, in order that we could create that general atmosphere which we think is probably vital--if various applications were looked at by those considering them in detail--

MR. CURRIE: Mr. Secretary, I think there is a better thought than using the word normal procedure. All I had in mind was merely reciting the considerations of certain things we will have to get from the technicians. I don't mean for a moment that this program will be handled in the ordinary Lend-Lease manner. I merely thought we could make time by referring them right away to technicians. I thought you were doing that in connection with the military programs, not to take the place of our meetings in any degree.

H.M.JR: Up to now I have taken the time to see the head of each agency that this is going to go to. I mean, it has been explained to each person; and while I haven't had a chance to see Mr. Forrestal, he is having luncheon with me today only to discuss Quebec. But I would be delighted if the rest of these gentlemen would be, to bring a succession of these people before this committee and let both sides talk to them. It is quite agreeable to me.

MR. WHITE: It might not be necessary, Mr. Secretary; you might find that the food group might go right ahead. It is only when they reach an obstacle that I think there is room for discussion.

H.M.JR: No, I think what Lord Keynes would like, if I understand him correctly, using again Mr. Jones--I happen to know him and know what he does--is to invite him to meet with the committee and sort of get both sides to tell him what the idea is.

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LORD KEYNES: Yes, that is what I think. You see, there are some things to be said for getting the background right before you proceed to details. I am sure that seventy-five or eighty percent of the details are the same, but it is difficult to disentangle, knowing at once which of the ones--

MR. CURRIE: My thought there, Lord Keynes, was that if our people come back and say, "We think it is clear sailing on all these items except your increasing your carcass meat, for example, that is the point I think at which we might profitably bring in Mr. Jones to argue the point through. But it may be that question won't come up, as Dr. White says.

LORD KEYNES: Well, suppose you take raw materials. There we have drawn up our program on certain assumptions about exports, and it is scarcely capable in any of its parts, I think, of being discussed without reference to that.

MR. CURRIE: I would agree heartily on that, and I think that is something this committee would have to discuss at a very early stage.

LORD KEYNES: On the other hand, oil and shipping are very good examples where your procedure would be very straight forward. There, there is nothing but the regular oil program.

H.M.JR: Might I suggest this, because this would be easier for me personally? I won't be here tomorrow because I am going to go up to hear the President speak, but if you gentlemen wanted to meet tomorrow and then would say which of these people you would like to have come before the committee to instruct--you could have a list and have these people come in tomorrow and have a talk with them. I don't have to be here.

DR. WHITE: I think you could proceed more rapidly, Mr. Secretary, if we have a little more time to thresh through some of these very points which Lord Keynes is raising.

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As you indicated earlier in your talk, we are going forward with that discussion. Our own minds are not clear, and it wouldn't be very helpful to bring anybody in until we were going forward on that.

H.M.JR: Harry, I'd like to please them and I'll proceed any way that they would like.

LORD KEYNES: Mr. Secretary, I think there is a great deal in what Dr. White said. This document has been in your hands a very short time, and it is quite likely that we would make better speed if there is less haste at this stage in trying to hurry you too much. But when you have reached it, it seems to me there are some sections we can hand over exactly as Mr. Currie was suggesting. Probably a great part of food can be so handled, subject to the qualifications which I was mentioning; oil, I think, raises nothing; shipping, the program we have put in in the main part of the document, I think, raises nothing.

But what is much more complicated, there are some of our suggestions in Chapter Three that some items which have not been reckoned eligible in the past might be added to the list. I think that is the issue that arises over shipping. The straight shipping list doesn't raise any of the issues. You get the raw materials and manufactured articles, then they are very much entangled, I think, with the export issue.

H.M.JR: Well, the suggestion was made here this morning that we ask the War Department if it would be agreeable to them to pull out the raw materials from under the way you put them in with the military, and have them considered by the non-military. We don't know whether the War Department will be willing to do that, but it would be simpler if the raw materials were pulled out and considered by the non-military committee in the first instance.

But, Lord Keynes, to come back, the thing that Mr. Currie had in mind was that if our food people could just begin to get the basic information and familiarize themselves with the thing, they'd be gaining that much time.

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LORD KEYNES: I suspect that is right.

H.M.JR: Would that be agreeable to you, so that the food and the other people would at least know what this is? They haven't seen it. (Refers to document on British Requirements)

LORD CHERWELL: There is a considerable measure of agreement, as far as I can see, on topics that will in no sense require decisions on the new principle, and since Lord Keynes said oil, a good part of shipping, a good part of food, could we begin there?

LORD KEYNES: There are two points I ought to mention. The head of our Food Mission has been in London on leave and wasn't coming back so promptly. We have telegraphed him to come back urgently. He will be here--

MR. BRAND: Well, he starts on Monday.

LORD KEYNES: The head of our Shipping equally was absent from Washington. We have telegraphed him to come urgently. He, I think, is probably crossing at this moment. So in the case of shipping and food, for a few days the Missions are in the hands of the second in command and not the first.

MR. CURRIE: They need those days, anyway, Lord Keynes, for home work.

LORD KEYNES: On the other hand, Mr. Brand was recently head of the Food Mission.

MR. BRAND: I still remember something about it!

H.M.JR: Are there other things that you could start?

MR. CURRIE: I'd like to join Dr. White in a plea for a little more time, because frankly on many of these more difficult items, such as the request for reinstatement or the considerations of the export policy with respect to raw materials, we have not had an opportunity to have American inter-agency meetings.

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H.M.JR: Then did you withdraw your suggestion that their food people should meet with your food people?

MR. CURRIE: When they are ready, but in the meantime I have already taken the liberty of referring this to our technical people.

H.M.JR: Let's put it a different way, Lauch. As far as you have gone, is there any group right now other than the Army and the Navy and the air people that British representatives would be meeting with in the next day or two?

MR. CURRIE: I doubt very much if anything could be gained by that, Mr. Secretary. I think when these gentlemen arrive our people will be in a better position.

LORD KEYNES: I think it looks as though we ought to give you another two or three days without trying to hurry you unduly.

LORD HALIFAX: It certainly looks that way to me.

H.M.JR: Well, we were trying to hurry. That was our only object.

Is there anything we would want from them in the next day or two?

MR. ACHESON: I think we need more time to work together.

H.M.JR: Harry?

DR. WHITE: I think we need more time, and it is only a matter of a few days, in which we may be able to settle among ourselves for your consideration many of the problems which would either completely eliminate the necessity for joint discussion or considerably facilitate subsequent joint discussion; otherwise, we would be threshing through and thinking through the problems jointly with the usual barriers to quick clarification.

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MR. COX: Mr. Secretary, also to follow up the point that Lord Keynes made, I think doing the work inside the group before it goes into the normal machinery of War Food, for example, we can present policy questions here before you talk to Jones that present the central issue. For example, flour has not previously been supplied-- at least not in this past year. It is scheduled in the first Stage Two period.

Now, if you just let this go through the normal course you get the same arguments that have been advanced before. "Why don't you get your wheat from Canada and Australia and make it up elsewhere?"

Similarly, you have increased in things like carcass meat, which presents a policy question. Unless you understood the basic underpinning, it wouldn't come out the way you might expect, and I think a whole series of those specific issues can be presented which point up the policy questions involved.

But that will require a certain amount of work on the technical level as well as on policy level.

MR. BRAND: You would still have to discuss those questions in detail with the WFA.

MR. COX: Yes, but I gather Lord Keynes' point is with enough of a sample here to indicate to Marvin Jones what the policy questions are within the frame of reference at Quebec, then he can instruct his people to view these things in that light. Otherwise, you might get mixed up in what purports to be a supply question.

LORD KEYNES: That is exactly what I was pointing out. But I think what you are now suggesting would meet us completely; that is to say, you should go on with your own study of the document for two or three days. And as Robert Sinclair suggests, perhaps the next thing we might do would be to hold ready for a meeting of this body with the military on Tuesday. They are going to make a report, I understand, on Monday, and there might

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be points arising out of that which we should want to take up here as soon as possible.

MR. SINCLAIR: I think the War Department is aiming to be in a position to do that. Whether we should succeed or not, I don't know, but there may, in any event, be certain important questions of principle arising out of those discussions.

H.M.JR: Mr. Patterson has already raised some. It came in late last night. Well, frankly, after this meeting we are going to sit down and consider them. He raises some rather important questions as to principle. So there is no use raising them now and worrying you about them unnecessarily. They may be important and they may not be important; but we at the moment are overwhelmed but not downed!

Might I ask, didn't your military get off to a good start yesterday?

MR. SINCLAIR: They started very quickly, Mr. Morgenthau. The Army was in action at eleven o'clock in the morning at the War Department, and they broke off for about a couple of hours in the afternoon and went on until a late hour last evening and started at eight o'clock again this morning.

The air people started at two-thirty in the afternoon and continued until about six.

H.M.JR: They didn't even stop for tea?

MR. SINCLAIR: I didn't get a report on that!

The Navy haven't got very far yet, sir. Admiral Waller called on Mr. Forrestal, as you suggested, and left with him a brief memorandum, and there was a brief discussion between him and Admiral Horne and one or two others afterwards; but it was quite clear, I think I am right in saying this, that the Navy Department were anxious to have a great deal of detailed information and an examination which looked as if it would take

- 15 -

considerable time. That is the first reaction we have got.

H.M.JR: I have had three calls during the day for additional sets, so I think they must have ten sets. They are interested!

But I'll have lunch with Forrestal and I will tell him that the Army is much better than he is!

Is there anything else that we would like to bring up at this time?

MR. ACHESON: I have nothing.

MR. CURRIE: No, sir.

DR. WHITE: Nothing, sir.

H.M.JR: Mr. Taft?

MR. TAFT: I have nothing.

MR. ACHESON: There is one important thing: We need three more copies of this document.

H.M.JR: We have plenty.

Now, how about our British friends? Is there something else at this moment?

LORD KEYNES: No, I think that is the best program, the way you have laid it out. Then at such time as is convenient to you next week, we could re-assemble either in detail or in full.

H.M.JR: If I shouldn't happen to be here, Dr. White is here. I don't want the thing to be held up because I am not here.

LORD KEYNES: Perhaps it would be wiser if I got in touch with Dr. White on Monday just in order to find out

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how things are moving and whether there is any help we can give.

H.M.JR: Fine.

DR. WHITE: I think it is very likely, in any event, you will have a meeting the first of next week.

H.M.JR: My plans are a little bit tied up with the President's, and that is why I am a little bit uncertain. Other than that, my phone is always working. And, as I say, you know everything that I know and I will continue to work on that basis.

FOREIGN ECONOMIC ADMINISTRATION
OFFICE OF THE ADMINISTRATOR
WASHINGTON 25, D. C.

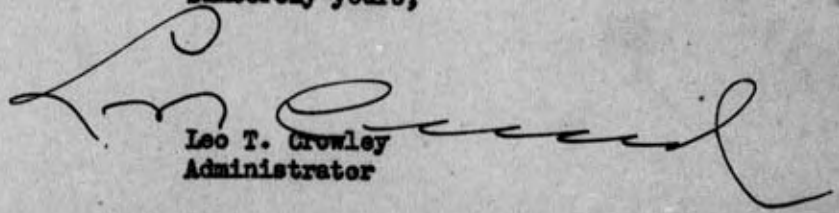
OCT 20 1944

Dear Henry:

I appreciate your letter of
October 17 sending me the copy of the British
requirements for the first year of Stage II.

I will, of course, consider this
material as most secret.

Sincerely yours,

A large, flowing handwritten signature in dark ink, likely belonging to Leo T. Crowley, is written over the typed name and title.

Leo T. Crowley
Administrator

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

OCT 20 1944

FOREIGN ECONOMIC ADMINISTRATION
OFFICE OF THE ADMINISTRATOR
WASHINGTON 25, D. C.

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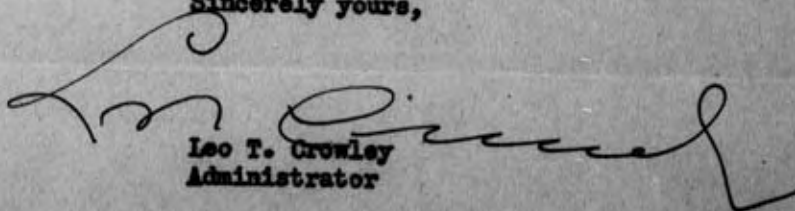
OCT 20 1944

Dear Secretary Morgenthau:

Thank you very much for your letter of October 17 sending along for my information a copy of the letter dated October 5, 1944 which you received from the Under Secretary of War.

I agree with you that the letter eliminates any misunderstanding that may have arisen as to the role of the War Department in connection with the work of the Lend-Lease Committee established at Quebec.

Sincerely yours,



Leo T. Crowley
Administrator

OFFICE
SECRETARY OF THE TREASURY
The Honorable Henry Morgenthau, Jr.

SE 8 11 The Secretary of the Treasury.

October 20, 1944
11:00 a.m.

HMJr: Yeah.

General
Watson: We never quit when we go after a thing.

HMJr: Yeah.

W: He says that the priority officer in Dallas reports that he met that plane and arranged for the party, including about nineteen, to go on to Los Angeles that night.

HMJr: No.

W: On the instructions from the War Department he met the plane and these fellows said that he did it all.

HMJr: Oh, those had been -- priorities had been arranged, I guess, a month ago.

W: Well, that's what he said.

HMJr: Yeah, well, he -- he's claiming credit for something he -- that -- I was there. He never asked for me. I never saw the man.

W: Well, that's what it -- it's not that he'd seen you positively but he meant the party, they claim, and arranged the thing. He claims the credit for it.

HMJr: Well

W: And we're trying to track it down.

HMJr: Well

W: He reported the thing as

HMJr: I think those priorities for those War Bond people and I just happened to be on the same plane -- I think you'll find they were made over a month ago.

W: They did? Well

HMJr: Yes.

W: how about your -- your four -- didn't he take care of that

HMJr: Uh

W: that night?

HMJr: Oh, yes, I -- I took care of that myself, but I mean I don't know -- I wasn't conscious that the War Department had anything to do with it.

W: Well, they claim that they did it.

HMJr: Well, if they did

W: I don't know.

HMJr: If they did, God bless them.

W: Yeah. Well, anyhow, those apples are wonderful.

HMJr: Well

W: Got some apples okay.

HMJr: Anyway, we got there. Now, what

W: Yes.

HMJr: Well, what did he say about not having anybody meet me in Los Angeles?

W: Well, he didn't say. (Aside: Why didn't somebody meet him in Los Angeles? Nobody ever checked in with him in Los Angeles.) (Pause) Well, they claim that the priority officer there learned that your Coast Guard plane had been repaired and they thought the thing was fait accompli.

HMJr: Yeah. Well

W: Was it, or what?

HMJr: Oh, I got back all right and

W: Yeah.

HMJr: But how the hell would they know that the Coast Guard plane was fixed?

W: I don't know but that's what I -- that's what I'm trying to find out.

HMJr: Well

W: Why the thing

HMJr: Anyway, let's

W: Huh?

HMJr: It's water over the dam, but the next I get stuck, see

W: Uh huh.

HMJr: and I really need them

W: Uh huh.

HMJr: I hope that you'll see that they come through.

W: You bet they will.

HMJr: I'll say this for them. They -- on a number of other times, like my trips to Europe, those were always arranged beautifully.

W: Yeah.

HMJr: This is the first time that anything has gone wrong.

W: All right, sir.

HMJr: But the other trips to Europe were always arranged beautifully and everything on schedule and I suppose even the War Department can fall down once.

W: Yeah, you -- who do you attribute that to -- the good part -- you mean -- you mentioned two officers the other day

HMJr: Oh, well, I was saying like people -- when, for instance, like when Bedell Smith was there and Colonel McCarthy was there, things always -- I've always gotten wonderful service.

W: All right. Well, we'll -- we'll watch that.

HMJr: I mean

W: I'm glad you -- I'm glad you told us what you think because that's the only thing we want to know, you know.

HMJr: I mean they've taken such good care of me in the past

W: Yeah, I know.

HMJr: that when they don't, then I feel neglected.

W: All right. Well, you won't again.

HMJr: If they'd done what you said, everything would have been all right.

W: All right.

HMJr: But just for the future, Pa.

W: All right. Fine.

HMJr: Thank you.

W: All right.

October 20, 1944
12:06 p.m.

HMJr: Hello.

Lord
Cherwell: Hello.

HMJr: Morgenthau.

C: Yes. Cherwell here.

HMJr: Look, Mr. Baruch just left here.

C: Yes.

HMJr: Hello?

C: Yes.

HMJr: B. M. Baruch.

C: Yes.

HMJr: He says he knows you quite well.

C: Yes.

HMJr: And he will be giving you a call shortly and he's very anxious to help on this German thing.

C: Yes. Yes.

HMJr: And so if he calls, I hope you'll have a chance to see him.

C: I certainly will.

HMJr: He's very, very much in our corner.

C: Oh, that's fine.

HMJr: And feels that

C: He has some influence, hasn't he?

HMJr: Yes.

C: Yes.

HMJr: And I think he can have some influence in the town here where we need it the most.

C: Oh, that's fine.

HMJr: And so I just thought I'd pass the word along to you.

C: Thanks very much.

HMJr: Right.

C: Good bye.

HMJr: Good bye.

October 20, 1944
12:28 p.m.

HMJr: Hello.

Operator: Secretary Stimson has just left to go to the station. Mr. McCloy is answering.

HMJr: Has he left town?

Operator: He's on his way out of town. He's on his way to the station now.

HMJr: Well, you leave word that I would like to talk -- who's answering?

Operator: Mr. McCloy's answering.

HMJr: No, just leave word that I am calling Mr. Stimson and at his convenience I would like to talk to him.

Operator: All right.

HMJr: See?

Operator: Right.

HMJr: I would like to talk to Mr. Stimson at his convenience.

Operator: All right. I'll tell him.

HMJr: And if he's going home, which undoubtedly he is, and he wants to call me on the farm tomorrow around nine o'clock at Beacon 2-1-1, I'd be glad to talk to him from there.

Operator: Right. I'll tell them.

HMJr: Either at nine o'clock or a quarter of one.

Operator: All right.

HMJr: Either time but I'd like to talk to him.

Operator: All right.

October 20, 1944
2:04 p.m.

Operator: Operator.
HMJr: Miss Tully, please.
Operator: Right.
HMJr: Hello.
Operator: Miss Tully.
HMJr: Hello.
Operator: Go ahead.
Grace
Tully: Hello, Mr. Secretary. How are you?
HMJr: Fine.
T: That's good. I just wanted to say that it's
okay for you to go up Saturday night.— I've
told Dewey -- and also to return with them,
you and Mrs. Morgenthau.
HMJr: Oh, wonderful.
T: Fine.
HMJr: Now, what about an appointment, dearie?
T: That I haven't been able to -- as a matter
of fact I think the Boss said he wants to rest
on Monday, but if you want to get the speech
up to him, he may have an opportunity to read
it and maybe do something on it on Tuesday.
HMJr: Oh, he's not going back until Tuesday?
T: Well, I mean he could look at it here. I don't
know. I think the plan is to come back Monday
night, but I'm not positive about that.
HMJr: Well, it won't be finished until Saturday night.
T: Uh huh.
HMJr: And I'll try to get it up to the country Sunday
anyway.

T: He might have a chance to read it quietly but I don't think he wants to do any work after he gets through with the speech, and he's had to work hard on this one. I think he won't want to get into another one on Monday again.

HMJr: Tell me on coming back with Mrs. Morgenthau, you -- you take care of the reservations?

T: Yes, I've told Dewey that you and Mrs. Morgenthau would be coming -- returning with us.

HMJr: Do I have to ask Governor Dewey now?

T: Huh?

HMJr: Do I have to ask

T: (Laughs) We've changed his name to "Edward" for the campaign. I should have said "Edward". (Laughs).

HMJr: Are you alone?

T: Yes, sir.

(Remainder of conversation not recorded.)

Message from 55
Oscar Cox

The President went over the proposed release that I showed you this morning and decided that he doesn't want to use it at this time.

10/20/44

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From: Mr. FitzGerald

2719
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October 20, 1944

The President announced that:

1. All the necessary military directives for use by the American forces during the period up to the collapse or surrender of Germany were worked out in definite form, agreed upon by all the interested agencies of the United States Government and forwarded to the military command months before any American soldier set foot in Germany.

2. The proclamation issued by General Eisenhower as Allied Commander was based on the agreed pre-surrender plan for the occupation of Germany, as were his orders for the abolition of the Nazi racial and other discriminatory laws and Nazi institutions.

3. The detailed plans for the unconditional surrender of Germany have been worked out not only in the American Government but with our allies.

4. The basic policy of this Government for the control of Germany after its collapse or surrender has for several months been in the hands of Mr. Winant, the American representative on the European Advisory Commission, for discussion with our allies for the purpose of arriving at agreed decisions related to the control of Germany in the light of the destruction and conditions invited or caused by the Nazi leadership.

5. If Hitler and his Nazi leaders senselessly continue their resistance, in view of the certainty of Allied victory, they will invite increased destruction of Germany's industries and its economic system by allied bombers and allied land forces. Now, with land fighting on

- 2 -

German soil, the Nazi leadership, as illustrated at Aachen, is inviting further and more devastating destruction by United Nations artillery and other land force action. If, in addition to this destruction which the Nazis are bringing on themselves, they wantonly follow a scorched earth policy, the destruction of the German industrial and economic system will be even greater and more complete.

6. We do not intend to destroy or enslave the German people; but we do mean effectively to control their will, power and capacity to make war again.

7. Based on this central principle, the available facts and the alternative possibilities, depending upon the length of the war against Germany and what the Nazis do to destroy their industrial and economic system and other fundamental considerations, the allied governments will be ready to apply their long-range plans with respect to Germany.

October 20, 1944

TO: Mr. Gaston

FROM: Secretary Morgenthau

Mrs. Klotz has been trying to get Mr. Barnes on the phone to find out where I speak on October 27 and at what time. They want me to find out from the Speakers Bureau, but if they want me to speak, it is up to them to find out when and where.

I want you to get this information from Mr. Barnes and I will call you tomorrow morning, and if they want me to speak, I certainly want the definite information as to the time and place by tomorrow morning.

HMJr/pm

Mrs. Wilson, James Barnes' secretary, phoned and said that they do not have any of the details on the Secretary's speech. She said that Mr. Lathrom of the Speakers Bureau, Democratic National Committee, will contact Mr. Morgenthau, or if Mr. Morgenthau is anxious to know the details, he can contact Mr. Lathrom.

October 20, 1944

Dear Mr. Vanderpoel:

You were very helpful to me on my trip to New Orleans and Los Angeles last week and I want you to know that I appreciate it.

In reviewing the results and recalling the speeches it seems to me that we accomplished results very well worth while.

I shall look forward to seeing you again soon.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Robert P. Vanderpoel
Financial Editor
The Chicago Herald-American
326 West Madison Street
Chicago 6, Illinois

HEG/mah

ASSISTANT SECRETARY OF THE TREASURY

October 20, 1944.

Memorandum

TO: Secretary Morgenthau
FROM: Mr. Gaston

Attached is a letter to Vanderpoel. I talked to him on the phone last Tuesday. He doubted that he wanted to come down here on a permanent basis and said that he would do so only if he thought he really could be more useful in that way. I suggested that he come down and talk it over. He said he couldn't do that before his assistant comes back, which will be on Thursday of next week. It may be that it will be easier for him to make up his mind after election.

mg

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ROBERT P. VANDERPOEL

FINANCIAL EDITOR
THE CHICAGO HERALD-AMERICAN

VANDERPOEL**War Finance Guiding
Philosophy Outlined**

By Robert P. Vanderpoel

Financial Editor

OCT 17 1944

Secretary Morgenthau, in a series of addresses to the men and women who have been the leaders in the war finance efforts throughout the United States, outlined what might be termed the philosophy of the Treasury Department.

Speaking first at Atlantic City, the Treasury secretary emphasized the democratic manner in which the war financing had been handled.

In the first place, the buying of bonds has been on a purely voluntary basis. Compulsory or forced saving,

as advocated by many, was rejected by the Treasury Department. Morgenthau said:

"We have raised more money than was ever raised by any nation before and we have done it in the American way. More than 85 million individual Americans have bought the bonds of their government for purely patriotic reasons and because they are the best investment in the world."

Finance Democratized

Morgenthau also emphasized that while previously virtually all government financing was handled by a few powerful houses who practically dictated the terms to the government, this had been changed so that all banks and investment firms are given the same treatment. This was part of the process of democratizing federal finance — returning control of it to the people.

Last Thursday, speaking at New Orleans, the Treasury Secretary described the part which war finance has played in the stabilization program. He emphasized that as a result of greater stabilization in this war than in World War I approximately \$70,000,000,000 had been saved the taxpayers of the nation.

The Treasury's part in stabilization has consisted of collecting as large a portion as possible of the expenses through taxes and borrowing as great a percentage of the remainder as has been found feasible from individuals.

Costs Held Down

Finally, last Saturday, at Los Angeles, Morgenthau described

the manner in which interest rates had been held steady with a resulting saving of about four billion dollars annually to the taxpayers as compared with what would have been the cost of the expanded federal debt under the interest rates prevailing in World War I when almost each new issue carried higher rates.

The expanded debt of the earlier period cost the American taxpayers an average interest rate of 4½ per cent as against 1½ per cent for the present war. In other words the cost percentage wise has been just one-third as much.

Small Holders Aided

At the same time the small American investors who have played such an important part in financing this war are in possession of a security with a non-fluctuating market value. They will not find themselves in a position of having to liquidate at sharply reduced prices as many did following World War I, when the speculators and a relatively small number of wealthy investors finally accumulated most of the rather high-yield government bonds at bargain prices, leaving the patriotic original owners disillusioned and bitter.

In conclusion Morgenthau indicated that stable interest rates would be maintained following the conclusion of the war. He also said that instead of the government attempting to sell large issues of long-term bonds which would tend to freeze the national economy, the liquidity that is part of the present arrangement of a preponderance of short-term issues would be continued.

Herald CHICAGO American

326 W. MADISON ST.
CHICAGO 6, ILL.

EVENING AND SUNDAY

TELEPHONE
ANDOVER 1234

*This is waste paper—salvaged from The Herald-American pressroom. Its use as stationery
saves manpower and critical materials for the war effort.*

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Oct. 20, 1944

TO: Secretary Morgenthau

FROM: Harold Mager *HM*.

The accompanying letter is for reproduction in Radio Handbook,
and for that reason is done in black type.

OK Mager ←

Attachment

OCT 20 1944

TO THE RADIO STATIONS OF AMERICA:

The Sixth War Loan Drive, starting November 20, promises to be the toughest assignment we've ever undertaken.

The overall goal has been set at \$14,000,000,000; the individual goal, at \$5,000,000,000. Coming at a time when some people on the home-front mistakenly believe victory already in our grasp, the Sixth War Loan will require more effort on our part than any drive to date. It will be our job to keep before the public a picture of the long, hard road ahead, first in finishing off the Nazis once and for all, and then going hammer and tongs after the Japs. It will be our duty to remind the people again and again that victory is not yet ours.

It was with a great deal of pleasure that I learned that the radio networks have each appointed a War Bond Committee for this Drive; that all radio stations, large and small, have formed a Radio Advisory Committee to deal with Bond promotion.

The Treasury appreciates the contribution of Radio to the success of previous War Loans, and is happy that it can rely on your continuing support in the Sixth.

Sincerely,

(Signed) H. Mergenthau, Jr.

Mrs Klotz. → See Page #6
" #9

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MEMORANDUM FOR THE SECRETARY.

October 20, 1944.

Mail Report

The Sixth Bond Drive moved up to the front line in this week's mail. Although there were several slogans and other constructive ideas for the Drive, replies to form messages sent by the War Finance Division made up the bulk of the correspondence. The first 75 telegraphic replies to the War Finance messages were checked by this office, but subsequent ones were delivered directly to War Finance, as the volume made it impractical to handle them here. However, we later received a number of confirmations by mail, along with 90 original replies by letter. Every communication pledged full support, even the one which objected to the \$75 quota per employee and the two which protested against the cost of the telegram.

Other bond mail ran according to form, especially the many queries about the mechanics of handling bonds. Of the few writers who commented on the over-the-counter plan for cashing bonds, all were definitely hostile, and usually demanded an explanation of the reason for adoption. Though complaints about delays were twice as numerous as they were last week, they still are the merest fraction of what they were a few months back. Only 37 bonds were submitted for redemption, without a single reply to the redemption slip.

Tax matters may well be said to have been incidental to the mail. Only 8 persons asked payment of refunds long due them, and now and then someone asked a question about his obligations or suggested other forms of revenue.

There was still some expression of interest in the so-called Morgenthau plan for postwar treatment of Germany. In a total of 25 communications, the favorable exceeded the unfavorable 3 to 1, this ratio having remained constant for the third week.

Hester

Favorable Comments on Postwar Plan for Germany

Edgar C. Riebe, Port-au-Prince, Haiti. Permit me to congratulate you upon your moral courage in outlining the terms for what TIME is pleased to call "a Carthaginian Peace" for Germany. I have talked with a considerable number of our fellow citizens in and out of the Army, as well as to numerous Frenchmen, and assure you that they cordially and unanimously approve of your plan, and that the terms to be imposed upon a defeated Germany cannot be made drastic enough to suit them. * * * Hitler did not create Germany, but Germany created Hitler, and there will be others to follow him if we permit it. Meanwhile, we are sacrificing thousands of our youth in an effort to neutralize the results of our deplorable error of judgment 25 years ago. Some months ago I suggested an idea similar to yours to Lord Vansittart and the latter wrote me textually that "it just isn't practical politics.....there is the fact that no United States Government would look at such a scheme, and I doubt whether any British Government would do so either". Possibly he may change his mind after considering your suggestion. * * * The objection made to your plan that it will be used by Goebbels as propaganda to encourage and prolong military resistance is without merit, because the German has never recognized anything except superior force and is by nature a wholly regimented animal. Politically, he is an anachronism, belonging to the XIII Century. After the fiendish horrors of Lubin and Lidice, to mention only two, we may never achieve poetic justice, but we can and should impose a semblance of adequate reprisals. * * *

Ilie Catarau, Secretary General, Irredentist Association, Carpatocalina, Havana. (Cablegram) * * * For century Germany, through her industrial domination has fattened her pigs with good Balcanic grain while the miserable peasantry of the Balcans fed on moulded cornmeal and salt. The subscribed Ilie Catarau, being morally

- 2 -

authorized in the name of leaderless Romanian people, hereby fully sustains Your Excellency's plan for Germany as only one efficacious to prevent future Teutonic monstrosities. Furthermore, ethics hold that all liberated nations, beseeching industrial commodities, must look to their saviours.

Herbert Lee, Santa Cruz, California. No nation can wage modern war without a great industrial machine, so distribute Germany's to the countries she has looted. She is not to be trusted with firecrackers, so stick to your guns, Mr. Secretary. And no loan should be made by any Americans to Germany without your approval -- suggest such a plan.

Henry E. Dunning, Lynwood, California. Since the more or less recent press reports of your suggestions in respect to what should be the form of domestic economy imposed on Germany after she is defeated, it has been my wish to offer you my personal backing in your plan. * * * Personally, I favor your plan and I would even go farther and advocate a complete dismemberment of Germany as a nation. Divide her up and give the surrounding countries jurisdiction over the lands that now constitute her boundaries. Racially, the people of central Europe are so mixed up now that to add to each adjacent country a few Germans would not constitute such a problem. However, in lieu of such a radical step as just proposed, your plan would be the next best solution. It is hoped that you still advocate your plan, despite the opposition it drew, and that we may hear more of it in the future.

Augustus J. Richard, Remsen, New York. (Night Letter) In view of the political abuse to which you have been subjected because of your advocacy of the removal from Germany of the means of production of munitions, you

- 3 -

may be interested in popular reaction to the proposal in this rural, Republican, upstate, dairy farming community. I have been unable to discover any one in these parts who is not convinced that the German people while living together in Germany cannot be trusted with the possession of such means of production any more than a habitual criminal of the underworld can be trusted with concealed weapons. Politics does not enter into their consideration of this problem, and their chief concern is lest some compromise arrangement might be made whereby the Nazis would be given access to facilities enabling them to repeat their deviltry of recent years under some new demon's leadership. * * * Like all races, however, the Germans are capable of decivilization which is what has happened to them. They must now be recivilized and I know of no way to accomplish that except by education, beginning in earliest childhood. That is going to take time, and certainly while the process is in progress, they can have no proper use for instruments of war or the means for their production.

H. B. Johnson & S. M. Johnson, Jal, Mexico. We have only just received "Time" magazine for October 2nd. We do not know if your views on the conditions to be enforced on the Germans are correctly stated in this publication, but if they are, we wish to most strongly congratulate you on them. You seem to be one of the few men who know how the Germans should be treated.

Ralph L. Kline, Youngstown, Ohio. I desire most heartily and emphatically to express my approval of your suggestion of taking away German industry in the main, as a peace condition. The only way to kill a snake is to kill it! Germany must have a peace imposed on her, and Japan too, that it will never be forgotten so long as human memory survives. Neither can be trusted in the slightest degree. Neither personal nor religious reason figures in this opinion.

Robert Halvorsen, M.E., Brooklyn, New York. Please add my voice to the thousands who wholeheartedly approve your demand for "tough" economic terms against Germany.

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Unfavorable Comments on Postwar Plan
for Germany

John Schmidt, Chicago, Illinois. * * * I read in the paper that you have a plan of your own to destroy the German nation. Well, may I call your attention to the fact that it has been reported in the papers Germany's resistance at the front has become more fierce since your plan has been announced, and this means a far greater casualty list for our American Army. As a patriotic citizen, as father of a dead soldier buried in Italy, and as a Christian, I protest most emphatically against your unreasonable plan to punish and to destroy the German people. I'm convinced the war would have ended sooner and the lives of thousands of our fighting boys would have been spared if that crazy plan of yours never would have come in contact with the printer's ink.

Austin J. App, Ph.D., San Antonio, Texas. * * * Today I unexpectedly remembered the plan of the British poet, Edmund Spenser for "pacifying the oppressed and rebellious people" of Ireland. He proposed that England send a huge force of cavalry and infantry into Ireland and to hunt the Irish down "like wild beasts". He calculated further that cold, exposure, famine and sickness, after two winters of hunting them down, could be trusted to exterminate the remnant of this "oppressed and rebellious people". After that, he argued, he believed the country would be peaceful. Now, I submit, regretfully, that the poet Spenser's plan exceeds in imaginative cruelty and atrociousness your plan for the extermination of the Germans. I don't think you should let him "get away with that". Inasmuch as you have made such a good start in surpassing and exceeding nearly the whole record of barbarous peace proposals, I suggest that you try again and see whether you cannot offer a proposal still more barbarous and bloodthirsty

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and revengeful, one which in that respect could nose out Edmund Spenser's, so that you might become the undisputed titleholder of the world's most atrocious peace plan, and so that, through you, all of us Americans might share in that honor vicariously, as we shared in the bombing of Rome.

General Comments

Charles J. Katz, Katz, Gallagher & Margolis, Lawyers,
111 West Seventh Street, Los Angeles, California.
We are addressing this communication to you because
an extremely important question involving the
relationship between the Salary Stabilization Unit
of the Treasury Department on the one hand, and the
trade union movement on the other hand, is at stake.
* * * As per the attached letter you will find that
an arbitrator acting under the terms of the collective
bargaining contract between the parties, has ruled
that all employees of this company were entitled to
straight time holiday pay for Christmas, 1943, and
New Year's, 1944. * * * The Tenth Regional War Labor
Board has approved the award of the arbiter, and has
authorized the payment of this straight time holiday
pay to the approximately 400 employees of the company
whose wages are less than \$5,000 a year. The Treasury
Department, on the other hand, has taken a contrary
position and has, in effect, reversed both the arbitra-
tor, (whose decision the parties agreed to accept as
final and binding), and the National War Labor Board,
and the Treasury Department has ruled that such pay-
ment cannot be made. * * * Furthermore, the Salary
Stabilization Unit in Los Angeles has refused to
permit the Screen Cartoonists Guild to appear before
it in support of the award. * * * The Guild has taken
the matter to Court, and is now met with the loud
claim by the Employer that it is the innocent victim
of two conflicting bureaucratic agency rulings and
does not know what to do to get out of its dilemma.
We think the situation is of such critical importance
to the entire trade union movement and to the need
for consistency in interpretation by the various
government agencies having jurisdiction over wage
matters, that we call it to your attention. * * *

Phoned Gaston 73
Herbert Gaston? 10/24/44-
Please work
into this
[initials]

- 7 -

Favorable Comments on Bonds

The following telegram is from the Apex Hosiery Company, Philadelphia, Pennsylvania, and is typical of replies to telegram sent out by the War Finance Division on October 15: "You can count on our wholehearted support and cooperation in order to assure the success of the Sixth War Loan Drive. We have come through during past Drives and will do so again. Yours for Victory."

- 8 -

Unfavorable Comments on Bonds

Justina E. Diaz, Miami, Arizona. On July 20 my son, Pfc. Antonio E. Diaz, was killed in action, according to a telegram and subsequent letters received by my husband, from the War Department. While alive, my son bought through the same War Department some War Savings Bonds which were delivered to me inscribed as follows: "Antonio E. Diaz - 39860503 POD to Mrs. Justina E. Diaz - 1-1875-12", one of which I tried to cash at the local bank, but found that the bank could not cash mine because the manager said I had to apply to the Post Office where some kind of a "form" would have to be filled out and sent along with the bond to the Federal Reserve Bank at San Francisco, California. I applied at the Post Office and was told that they had no such form; that it would be necessary to write a letter to the bank in San Francisco, including the bond and a Death Certificate of my son. Having no such Certificate and only the letters mentioned in the beginning, I decided to quit trying to cash the bond for the time being and ask you the following question: Why can't the mother of a soldier killed in line of duty have the same privilege as other persons in having bonds cashed by local banks, provided proof of death of soldier is readily given to the certifying or paying official?

Nat H. Wolkind, St. Louis, Missouri. On February 23, 1944, the Great Lakes Theatre at 618 Main Street, Buffalo, New York, received Bond #C-75503562 from Mrs. Anna Wolkind to have the bond corrected to read, "Mrs. Roy Wolkind", instead of "Roy Wolkind", as shown on the original bond. The Great Lakes Theatre gave Mrs. Wolkind a receipt approved by a Mr. Mason. On October 2, we wrote the Great Lakes Theatre regarding the bond and asked that it be returned, but we have

- 9 -

had no reply to date. Prior to that time, we contacted the Federal Reserve Bank of New York, and they informed us that they had no record of having received the bond. At one time, Mr. Mason of the Great Lakes Theatre informed us that the bond was sent to Chicago. From February 23 to October 11 seems to be a great deal of time to make a correction on a War Bond, and I am writing to you about this to see if there is any way it can be traced. * * *

John F. Hix, Sr., Camp Pickett Exchange, Crewe, Virginia. I have worked at Camp Pickett almost from the time the camp was opened during which time I have bought \$950 worth of War Bonds out of a rather small salary, buying them here and paying cash. This plan of paying cash instead of having deductions made from my pay check does not seem to satisfy those in charge of War Bond sales, despite the fact that I have repeatedly told them I prefer to buy in my own way, as I think I have that right. I venture to say I have bought as many or more bonds than anyone else in the camp, in proportion to salary earned. Recently, however, I have been made to feel that even my job may be threatened if I do not comply with their request, which I definitely do not intend to do. Now I would like to know your attitude in matters of this kind.

Phoned Ganth - 10/28/44 - per -
Gamble!
Better
set off
a china
egg and
set in a
real one.
Jim Z

C. A. Brown, President, The National Bank of Portsmouth, Portsmouth, Ohio. I am today in receipt of an envelope which contained five official U. S. Treasury posters bearing the imprint of the U. S. Government Printing Office-1944, O-609248, and further identified WFD-949. These posters are headed "Nest eggs won't hatch unless you set on them!" I referred this poster to several farmers and asked them what a nest egg is. Each of them told me that a nest egg is a white china, glass, or porcelain egg, or even a white door knob, or a whitewashed pebble placed in the nest to induce hens to lay other eggs beside it. Several of the farmers approached gave me

- 10 -

the same definition. I have also had it up with our local farm representatives and they answered the same as the others, each answering that nest eggs were never known to hatch under any circumstances, and suggested that the War Finance Division get in touch with the Agricultural Department before putting out posters of this kind. I am bringing this to your attention, as doubtless the poster was designed by someone not familiar with farm operations.

Al. K. Thomas, Vice President and Trust Officer,
Allison-East End Trust Company, Harrisburg, Pennsylvania.
Your posters, "Nest eggs, etc", came and we hung them up. "Nest" eggs are dummy eggs in the usual farmer's parlance and wouldn't hatch anyhow, no matter who sat on them, what sat on them or how long they sat on them. Please tell some farmer to get up the next poster.

- 11 -

Unfavorable Comments on Taxation

Congressman John Jennings, Jr., Knoxville, Tenn. I have your letter relative to the interpretation you placed upon the Revenue Laws and the conclusion you reached that the disability pension paid Joseph C. Jett, 2744 Tarleton Avenue, Knoxville, Tennessee, is subject to payment of an income tax. I feel this is a great injustice to Mr. Jett. He is an old man of feeble health, suffering from a heart ailment. Your ruling put him to bed and may cost him his life. I hope you can consider this in the light of his condition and the fact that what he gets from the city of Knoxville is not payment of services rendered, but a disability pension that went into effect after he retired and contributed to by all men of the police force.

Conn E. Huett, Madison, Illinois. When I filed my income tax report in March 1944, I had my forms filled out by an expert who figured I had a return of \$94.05. I have 6 children, 5 in school, and my wife is under a doctor's care, and the school children need shoes and other school clothes, and I have to buy fuel, which costs money that I don't have. I pay \$30 rent; insurance and other obligations added to feeding my family. Keeps my nose to the grindstone on the salary I earn. So if it is possible, I would appreciate any return I have on my income tax.

KWANG PU CHEN
ROOM 1918
630 FIFTH AVENUE
NEW YORK

October 20, 1944

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

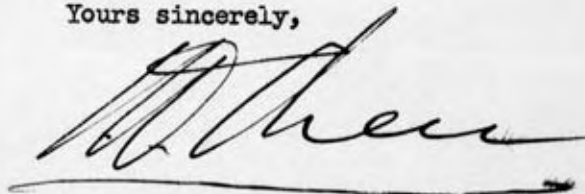
Dear Mr. Morgenthau,

I arrived here on Tuesday after a pleasant, though somewhat tiring trip, and was very happy to receive your letter which had been kept here pending my arrival.

Some preliminary work in connection with the forthcoming International Business Conference prevents my early coming to Washington, but I will make the trip at the first opportunity. It will be a great pleasure to see you again after so many years, and I am looking forward to it.

With kindest regards,

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'K. P. Chen', with a horizontal line underneath.

25

OCT 20 1944

Dear Dr. Kung:

I am in receipt of your letter of October 15, 1944.

As you already know, I share your desire to conclude the negotiations with respect to United States Army expenditures in China on terms which will be mutually satisfactory to both our Governments, and shall be glad to resume our discussions at your convenience after your return from your trip. It is to be hoped that your trip was not all work and that you had the opportunity to enjoy the renewal of your old associations in New England and Ohio.

With kindest personal regards and best wishes for a complete and successful recovery,

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Dr. H. H. Kung,
Waldorf-Astoria Hotel,
35th Street and Park Avenue,
New York, New York.

MINISTRY OF FINANCE
NATIONAL GOVERNMENT OF CHINA

October 15, 1944.

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

Dear Mr. Morgenthau:

Upon my return to New York my doctors have found that my present condition is unfit to undergo a major operation. They have urged that I finish all matters requiring my personal attention now so that my mind will be at ease during hospitalization and recovery.

Sometime ago I was invited to address the Boston Conference on Distribution on October 17. Owing to my preoccupation with official business in Washington, I hesitated to make a definite commitment. Since then I have received so many letters and telegrams from American friends and leaders urging me to attend the Conference that I feel obliged to leave for the Conference tomorrow. After the Conference I shall proceed to Oberlin for an important business meeting dealing with Oberlin-in-Shansi College because I am the Chairman of its Executive Board in China.

By the time I return from my visits to Boston and Ohio I hope you will have been back from the West Coast so that we can settle certain pending matters between our two governments. Trusting that you have had a pleasant and successful trip.

With best personal regards,

Yours sincerely,

A handwritten signature in dark ink, appearing to be 'H. H. Kung', written in a cursive style.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Oct. 20, 1944

TO Secretary Morgenthau
FROM J. J. O'Connell, Jr., and H. D. White
TO BE READ

You will recall that several weeks ago we reported to you that an examination of the correspondence between Chase, New York, and Chase, France, from the date of the fall of France to May 1942, disclosed that Chase, France cooperated extensively with the Germans with full knowledge of Chase, New York. On the basis of this report you approved our sending Saxon of Foreign Funds to Paris to investigate not only Chase but other branches of American banks which operated in France under German occupation.

I am sure you will want to read Saxon's first report, attached hereto, which confirms our earlier report to you on this matter. Briefly, this report indicates that: (1) German authorities strongly desired American banks to stay open during their occupation of Paris; (2) Chase and Morgans appear to have been very anxious to stay open to protect their interests for the post-war period; (3) official Chase memoranda include repeated statements of the high esteem in which the German authorities held these two banks; (4) Chase obtained substantial deposits of German funds on its own solicitation and invested such funds to produce additional income; (5) Guaranty and National City chose liquidation rather than to continue operations under German occupation; Guaranty was apparently handled rather roughly by the Germans.

Saxon recommends an immediate and full investigation of all branches or offices of American banking and insurance institutions in France before they are allowed to resume financial relations with the United States. If you agree we will arrange to have additional professional and stenographic assistance sent to Saxon in accordance with his request to complete this project.

Attachment.

I Approve:

Joseph J. O'Connell

H. D. White

J. J. O'Connell

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris
TO: Secretary of State, Washington
DATED: October 12, 1944
NUMBER: 235

SECRET

FOLLOWING FROM SAKON PERSONAL AND SECRET FOR THE SECRETARY OF THE TREASURY.

One. I have held conversations with Bertrand and Gadd, local Chase officials. The correctness of the bank's attitudes and activities, including Neiderman was stressed by them initially. However, Bertrand broke down and gave me some information of relations of the manager of Chase, Paris with the Germans when confronted with their own written record of the attitudes and activities of the Bank at Paris. Bertrand and Gadd Chase, Paris, counsel thereupon agreed to my request to examine the Paris branch's records. I have already started this examination and in offering facilities and records Bertrand and Gadd have been cooperative.

Two. Chapin has been informed by me on broad lines of inquiry. Since this matter is being handled confidentially and as normal examination under the authority of the comptroller of currency, the French have not been advised. The military is not involved in this.

Three. It is indicated by initial evidence that German authorities strongly desired American banks to stay open during the occupation of Paris. Neiderman was informed by the German administrator of banks, Caesar, that at the end of the war American banks would be of use to Germany. Chase and Morgans appear to have been anxious to stay open since such action was felt by them to be in their best interests. It is clear that a certain agreeableness of attitude and a certain measure of cooperation with the German authorities were necessarily required to fulfill this aim. I was informed by the managers of Chase and Morgans that they wished to stay open so as to be in a position to continue operations without

- 2 -

difficulty after hostilities had ended. Liquidation was chosen by Guaranty and National City. Guaranty, a straight branch of an American bank found this more difficult than did National City which was a French company.

It is indicated by initial evidence because of refusal to collaborate with the Germans, the Germans handled Guaranty roughly. The German authorities seem to have treated Chase and Morgans more kindly. Pressure was exerted on Guaranty by the Germans even at Vichy through the instrumentality of the French authorities. It is stated by Bertrand in a letter to the Chase head office of New York that Michaud of Guaranty still refused to visit the office of the German administrator for banks in spite of insistent requests by the latter. Guaranty officials were repeatedly urged by officials of Chase to agree to the demands for information from Guaranty to transmit to Chase full data on Guaranty foreign accounts. When Chase was requested by Caesar to assume protective custody of securities of National City and Guaranty, Chase refused and suggested to him that the official German organization take these accounts. This action was defended by Chase on the grounds that the same position had already been taken by Morgans. Chase ~~maintained~~ states in another document that the present basis of its relationship with the authorities of Germany is as satisfactory as the modus vivendi worked out with German authorities by Morgans. Chase anxiously sought and actually obtained substantial deposits of German funds from Caesar, according to its own records, which funds were invested by Chase in French treasury banks to produce additional income. Repeated statements by Caesar of the high esteem in which the German authorities held Chase and Morgans are contained in official memoranda of Chase conferences with Caesar. It was stated by Caesar that he was glad to see that his directives were being followed by Morgans and that it was operating almost normally. One American bank officer described Chase as Caesar's beloved child.

Activities on my part are limited to Chase, Paris at the present time. As soon as transport facilities and security conditions permit Chase officials will bring to Paris the records of Chase Chateauf. It is possible that an examination of the records of the Paris office can be completed in several weeks. Considerable time will be required to examine Chateauf as it is more extensive. Furthermore, since it is necessary to see the picture of the other American banks principally through conversations, I am not able to devote full time to Chase, Paris.

It is requested that you send Rains, Murphy and Wolfensen as named as soon as possible. We also urgently need stenographers. In arranging transportation and accommodations for civilian personnel, the blessing of the War Department would be helpful. This cable is agreed to fully by Hoffman.

Four. All banks in New York which have or had offices, banks or branches in France should be requested to make all reports received through State or other channels since liberation available to you at once. Detailed confidential reports supported by documents regarding situation of American banks in France during last four years have been requested from Paris offices by me. The manager of Morgans has promised to discuss with his colleagues at Morgans this request made by me.

Five. An immediate and full investigation of all banking institutions in the United States which have or had banks, branches or offices, insurance should be undertaken before any is allowed to assume financial relations with the United States. Responsibility of Treasury is clear and strong in the interests of (a) trading with the enemy statutes, (b) office of comptroller of currency and (c) the international financial relationships of the United States Government.

Six. It is stated by Chase and Morgans that throughout occupation the three British banks also continued to function actively in Paris. The relationship between the British banks and the German authorities has been sharply criticized by certain local banking people.

OCT 20 1944

Dear General Carter:

As you know, the Treasury through the services provided by the War Department has from time to time shipped gold to Assam, India, for the account of the Government of China.

Recently, the Treasury completed arrangements with China as a result of which \$20 million of gold has been transferred to China's earmarked gold account in New York, this gold to be shipped to China.

I should like to request, therefore, that arrangements as in the past be made to ship this \$20 million gold to Assam, India, either by sea or by air, in shipments spaced over an appropriate period of time.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Major General A. H. Carter,
Army Service Forces,
Fiscal Director,
Room 4B - 448, Pentagon Building,
War Department,
Arlington, Virginia.

MAIL: 10/25/44

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

October 20, 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 October 11, 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.

Em/B

FEDERAL RESERVE BANK
OF NEW YORK

October 19, 1944.

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended October 11, 1944, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Very truly yours,

/s/ H. L. Sanford

H. L. Sanford,
Assistant Vice President.

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

Enclosure

C O P Y

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

Strictly
Confidential
Week Ended October 11, 1944

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)										BANK OF FRANCE			
	DEBITS					CREDITS					Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in \$ Funds (d)	
	Total Debits	Gov't Expenditures (a)	Swiss to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of		Transfers from Official Australian Account	Other Credits (c)	Net Incr. (+) or Decr. (-) in \$ Funds (d)				
						Gold	Securities (Official) (b)							
War Years (a)														
First	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3 (f)	1,095.3 (g)	+ 299.0	
Second	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	+ 13.2	38.9	8.8	- 30.1	
Third	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1	
Fourth	264.0	252.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3	
Fifth	1,197.7	300.4	61.4	835.9	1,369.6	-	-	253.0	1,116.6	+ 171.9	-	-	-	
<u>1944</u>														
September	151.0	19.9	50.4	80.7	56.5	-	-	1.0	55.5	- 94.5	-	-	-	
October														
November														
December														
<u>1945</u>														
January														
February														
March														
April														
May														
June														
July														
August														
<u>Week Ended</u>														
September 20, 1944	65.2	7.9	50.4	6.9	23.4	-	-	-	23.4	- 41.8	-	-	-	
September 27, 1944	69.2	5.5	-	63.7	18.3	-	-	-	18.3	- 50.9	-	-	-	
October 4, 1944	15.4	6.3	-	9.1	7.9	-	-	1.0	6.9	- 7.5	-	-	-	
October 11, 1944	59.4 (i)	3.5	-	55.9 (i)	10.7 (h)	-	-	-	10.7 (h)	- 48.7	-	-	-	

Average Weekly Expenditures Since Outbreak of War
 France (through June 19, 1940) \$19.6 million
 England (through June 19, 1940) \$27.6 million
 England (through June 20, 1940 to March 12, 1941) \$54.9 million
 England (since March 12, 1941) 22.1 million

See attached sheet for footnotes.

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.
- (h) Includes \$4.8 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports.
- (i) Includes \$ 50.1 million representing cost of gold purchased for export.

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

Strictly Confidential
Week Ended October 11, 1944.

PERIOD	BANK OF CANADA (and Canadian Government)									COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)								
	D E B I T S				C R E D I T S					D E B I T S				C R E D I T S				
	Transfers to Official				Transfers from Official					Transfers to Official				Transfers from Official				
	Total Debits	British A/C	Others	Total Credits	Proceeds of Gold Sales	For Own A/C	For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in Funds (a)	Total Debits	British A/C	Others	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in Funds (a)		
War Years (a)																		
First	323.0	16.6	306.4	504.7	432.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9		
Second	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0		
Third	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	27.4	89.8	112.2	17.2	95.0	- 2.0		
Fourth	723.6	-	723.6	958.8	47.1	170.4	-	741.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4	+ 3.4		
Fifth	849.3	1.0	848.3	958.5	38.1	61.4	-	899.0	+ 283.3	298.6	252.5	46.1	287.7	-	287.7	- 10.9		
1944																		
September	24.5	0.1	24.4	91.8	-	50.4	-	41.4	+ 67.3	5.8	1.0	4.8	7.3	-	7.3	+ 1.5		
October																		
November																		
December																		
1945																		
January																		
February																		
March																		
April																		
May																		
June																		
July																		
August																		
Week Ended																		
September 20, 1944	2.4	-	2.4	56.8	-	50.4	-	6.4	+ 54.4	0.1	-	0.1	1.7	-	1.7	+ 1.6		
September 27, 1944	16.9	-	16.9	5.1	-	-	-	5.1	- 11.8	1.3	-	1.3	0.8	-	0.8	- 0.5		
October 4, 1944	14.9	-	14.9	16.8	-	-	-	16.8	+ 1.9	3.0	1.0	2.0	0.5	-	0.5	- 2.5		
October 11, 1944	5.8(a)	-	5.8	30.6(a)	-	-	-	30.6(d)	+ 24.8	-	-	-	3.1(a)	-	3.1(a)	+ 3.1		

Average Weekly expenditures for

First year of war	6.2 million.
Second year of war	8.9 million.
Third year of war	10.1 million.
Fourth year of war	13.9 million.
Fifth year of war	16.1 million.
Sixth year of war (through) October 11, 1944	7.6 million.

- (a) For monthly breakdowns see tabulations prior to: April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.
 (b) Reflects changes in all dollar holdings payable on demand or maturing in one year.
 (c) Does not reflect transactions in short term U. S. securities.
 (d) Includes \$ 26.7 million deposited by War Supplies, Ltd.
 and \$ 3.8 million received from New York accounts of Canadian chartered banks.
 (e) Includes \$ 3.0 million received in connection with expenses of our armed forces abroad.

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.

TELEPHONE HOBART 9000

EASE QUOTE

REFERENCE NO.

With the compliments of British Air Commission
who enclose Statements Nos. 157 and 158 --
Aircraft Despatched -- for the weeks ended
September 29th and October 6th respectively.

The Honourable Henry Morgenthau, Jr.
Secretary of the Treasury
WASHINGTON, D. C.

October 20, 1944.

STATEMENT NO.157

Aircraft Despatched from the United States
Week Ended September 29, 1944

BRITISH/U. S. SECRET

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>CONSOLIDATED</u>					
Liberator GR VIII	U.K.	U.K.		5	
Liberator B VI	M.E.	M.E.		1	
Liberator B VI	India	India		14	
Liberator GR VI	U.K.	U.K.		1	
Liberator GR VI	India	India		2	
Liberator B VIII	U.K.	U.K.		1	
Liberator B VIII	M.E.	M.E.		4	
<u>GLENN L. MARTIN</u>					
Marauder III	M.E.	M.E.		8	
<u>DOUGLAS</u>					
Boston V	U.K.	U.K.		1	
Boston V	M.E.	M.E.		4	
Dakota IV	U.K.	U.K.		4	
Dakota IV	M.E.	M.E.		3	
Dakota IV	Canada	Canada			1
<u>BOEING</u>					
Catalina IV B	U.K.	U.K.		6	
<u>WACO</u>					
Glider	India	Calcutta	20		
<u>STINSON</u>					
Reliant	U.K.	U.K.	1		
<u>REPUBLIC</u>					
Thunderbolt	India	Karachi	12		
Thunderbolt	U.K.	U.K.	2		
<u>BEECH</u>					
UC 45 Beechcraft	India	Karachi	7		
UC 45 Beechcraft	Algiers	Algiers	7		
UC 45 Beechcraft	U.K.	U.K.	1		
<u>NORTH AMERICAN</u>					
Mustang	N.W. Africa	Casablanca	31		
Mustang	U.K.	U.K.	3		
<u>CORNELL</u>					
Argus	Algiers	Algiers	35		
<u>NOORDUYN</u>					
Harvard	U.K.	U.K.	10		
<u>GRUMMAN</u>					
Wildcat (less engines)	U.K.	U.K.	4		
Wildcat	U.K.	U.K.	2		
<u>VULTUR</u>					
Vengeance	U.K.	U.K.	20		
Total:				155	54
					1

BRITISH/U. S. SECRET

STATEMENT NO.158
Aircraft Despatched from the United States
Week Ended October 6, 1944

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>* BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>CONSOLIDATED</u>					
Liberator B VI	India	India		7	
Liberator B VI	Canada	Canada			3
Liberator GR VI	India	India		2	
Liberator B VIII	M.E.	M.E.		2	
Liberator GR VIII	U.K.	U.K.		3	
Liberator GR VIII	Bahamas	Nassau		1	
<u>NORTH AMERICAN</u>					
Mitchell III	U.K.	U.K.		7	
Mustang	U.K.	U.K.	9		
<u>DOUGLAS</u>					
Boston V	U.K.	U.K.		1	
Boston V	M.E.	M.E.		20	
Dakota IV	U.K.	U.K.		3	
Dakota IV	India	India		15	
Dakota IV	S. Africa	S. Africa		1	
<u>BOEING</u>					
Catalina IV B	U.K.	U.K.		5	
<u>RELIANT</u>					
Stinson	Trinidad	Trinidad		8	
Stinson	U.K.	U.K.	11		
Stinson	India	Cochin	1		
<u>REPUBLIC</u>					
Thunderbolt	India	Karachi	45		
<u>VOUGHT-SIKORSKY</u>					
R-4-B Helicopter	U.K.	U.K.	4		
Corsair	India	Cochin	6		
Corsair	U.K.	U.K.	17		
<u>BECH</u>					
UC-45 Beechcraft	India	Cochin	5		
UC-45 Beechcraft	India	Karachi	8		
<u>WACO</u>					
Glider	India	Karachi	40		
Glider	India	Calcutta	20		
<u>GRUMMAN</u>					
Hellcat	India	Cochin	1		
Hellcat	U.K.	U.K.	2		
Wildcat	India	Cochin	5		
Wildcat	U.K.	U.K.	4		
<u>CURTISS</u>					
Kittyhawk	Australia	Sydney	12		

- 2 -

STATEMENT NO. 158 (cont'd)

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>VULTEE</u>					
Sentinel	India	Karachi	20		
Vengeance	U.K.	U.K.	28		
<u>NOORDUYN</u>					
Harvard	U.K.	U.K.	14		
** Meteor	U.K.	U.K.	1		
Total:			253	75	3

* Aircraft shipped by sea week ended September 29 not October 6.

Please note: Aircraft shipped by sea in Statement No.157 is for week ended October 6, not September 29 as reported.

** Being returned after exhibition in U.S.A.

Movements Division
British Air Commission

October 13, 1944.

mmh
File V-17

FROM: PARAPHRASE OF TELEGRAM RECEIVED
AMERICAN EMBASSY, QUITO

TO: Secretary of State, Washington

DATED: October 20, 1944

NUMBER: 1015

SECRET

The Foreign Office of Ecuador states that it has received no specific request for the clarification of telegram under reference in 813 from the Department of the thirteenth of October and is at a loss to understand the cause of difficulty in interpreting the Ecuadoran Consulate's note of the twelfth of May as its cable instruction seems perfectly clear of the eighth of May. From the Consulate at Geneva the only communication received by the Foreign Office concerning the protection of individuals in Germany claiming Ecuadoran nationality was a letter of the twenty fifth of May asking "some opinions and advice". On the seventh of September the Foreign Office replied by airmail letter which presumably has not reached Geneva as yet.

Yesterday the Foreign Office transmitted a wire to Ecuadoran Consulate at Geneva in substantially the terms below: (in paraphrase) "Repeating instructions issued to you previously to arrange for the Government of Switzerland to ask that German officials respect rights of persons protected by papers and documents of Ecuador. Take action to acquire action by the Swiss Government at once. In addition, in this connection, you are asked to contact the American diplomatic representative.

SCOTTEN

DCR:MLG
10-23-44

DU-271

PLAIN

London

Dated October 20th, 1944

Rec'd 8:16 p.m.

Secretary of State

Washington

9033, Twentieth

TIMES reports that British airman, who was assisting Polish resistance forces in Warsaw and whose occasional messages before surrender were reported in Embassy's earlier telegrams, is now known to be safe. It publishes following brief message which has now been received from him: "The Germans are giving no help to Polish population evacuated from the capital. Medical supplies are very short, and badly wounded people are to be seen lying by the roadside. Tens of thousands of the citizens are sleeping in the open fields. Food is short. The Germans are rounding up all men from 16 to 40 years of age and sending them to Reich."

TIMES also contains following brief item by a Polish correspondent in London: "An official announcement disclosing new German atrocities against population deported from Warsaw has been issued by the Polish Government in London. It says in part: 'The Germans have arrested males between the ages of 16 and 40 and have deported them in the direction of Germany. Some were separated from the rest and directed straight to the infamous death camp of Oswiecim. Up to October 14, 12,400 of those deported from Warsaw had been sent there and are now threatened with death. On October 7 the Germans began mass execution of Polish prisoners in Oswiecim by means of poison gas either in gas chambers or in motorvans.' A report from Poland has been received concerning a rising in Oswiecim Camp. It says that on October 7, when mass executions of political prisoners began, the Polish prisoners who were in a majority in the camp, attacked the Germans. In the course of the unequal struggle, during which the Germans machinegunned the barracks, the Poles succeeded in killing 6 German executioners. More than 200 Polish prisoners perished in the fight."

WINANT

EEC

CABLE TO AMPOLAD FOR MYRON TAYLOR, CASERTA, ITALY

In view of reliable reports that imminent deportation and extermination threaten Jews in Budapest and other parts of Hungary under German control, variously reported to number between two and three hundred thousand, you are requested urgently to approach the Pope with the suggestion that he broadcast a public appeal to the people and clergy in those parts of Hungary, urging them to aid to the utmost of their abilities the temporary concealment of Jews and to oppose their deportation and extermination.

In doing so please indicate that in Board's opinion it seems unlikely that approaches to local authorities will accomplish purpose and that a public appeal by the Holy See to people and clergy appears to the Board to offer the best chance of keeping these hapless people alive.

2:30 p.m.
October 20, 1944

EL-190

PLAIN

Rome

Dated October 20, 1944

Rec'd 4:31 p.m.

Secretary of State,
Washington.

556 556, Twentieth

FOLLOWING FOR M. LEAVITT AMERICAN JOINT DISTRIBUTION COMMITTEE NEW YORK FROM ARTHUR GREENLEIGH

REURTEL October 6th have completely cleared subject debt repayments with finance subcommission and am hereby requesting remittance five million lire for immediate repayment in accordance with terms your cablegram. Letter follows regarding remainder.

KIRK

CAW

CABLE TO AMERICAN CONSULATE, JERUSALEM, FROM WAR REFUGEE BOARD

Please deliver the following message to Melech Neustadt,
Yehuda Halevi 40, Tel Aviv, from Poale Zion Organizations:

QUOTE YOURS SEPTEMBER 23RD RECEIVED THROUGH WAR REFUGEE
BOARD. PERMISSION FOR YOUR ENTRY INTO RUMANIA BEING
RAISED WITH OUR STATE DEPARTMENT. WILL KEEP YOU ADVISED
UNQUOTE

2:15 p.m.
October 20, 1944

PLAIN

Lisbon

Dated October 20, 1944

Rec'd 11:31 a.m., 21st

Secretary of State,
Washington,

3203, Twentieth, noon

FOR LEAVITT FROM PILPEL JDC 95, WRB 227.

Referring our regular 83 carload foodstuff from
Istanbul destined Theresienstadt unable continue be-
yond Bulgaria. Passman Jerusalem through Kezzler re-
quested Inter-Red Cross distribute food immediately
instead holding it for possible future shipment
Theresienstadt.

NORWEB

BB

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMERICAN LEGATION, STOCKHOLM
DATED: October 20, 1944
NUMBER: 2111 (Repeated to London as 8720)

SECRET

See London's 8907 of the eighteenth of October, repeated as 587 to Stockholm. FEA and the Department agree in recommendation of EWD and MEW with regard food parcel shipments to Jews interned in Germany.

HULL

SWP:WHM:amg

Paraphrase
DCR;MLG
10-21-44

CABLE TO MINISTER HARRISON, BERN, FOR MC CLELLAND FROM WAR REFUGEE BOARD.

Please deliver the following message to Mrs. Fanny Hirsch,
Comite Refugies Intellectuels, 7 Rue Gautier, Geneva, from Dr. Fred S.
Weissman of Selfhelp of Emigres from Central Europe, Inc.:

QUOTE RECEIVED YOUR MESSAGE OCTOBER 12. SORRY REQUESTED
PERMISSION SUPPLY ESCAPED HUNGARIAN JEWS NOT POSSIBLE. AT
PRESENT CANNOT HELP PEOPLE ALREADY SAFE IN SWITZERLAND. FOR
OTHER SOLUTION CABLE NAMES OF YOUR TEN HUNGARIAN PROTEGES
WITH NAMES AND ADDRESSES OF THEIR RELATIVES OR FRIENDS IN
AMERICA. WAITING FOR YOUR SUGGESTION REGARDING RESCUE WORK
BEFORE MAKING FURTHER REMITTANCES. UNQUOTE

THIS IS WRB BERN CABLE NO. 229.

11:30 a.m.
October 20, 1944

CABLE TO MINISTER HARRISON, BERN, FOR MCCLELLAND FROM PEHLE

For your information the Swiss Minister in Washington recently asked the Board how his government could be of any help in the serious Jewish situation in Hungary and at Oswiecim and Birkenau. He was advised confidentially of the steps which have been taken by the Swedes. He has promised to notify his government of this and to suggest to the Swiss Government that it take action parallel to that taken by the Swedes.

Please support this matter to the extent possible.

THIS IS WRB BERN CABLE NO. 230

3:45 p.m.
October 20, 1944

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: October 20, 1944
NUMBER: 6950

CONFIDENTIAL

With reference to Legation's message dated October 12, No. 6793, confirmation was contained in Swiss note dated October 19 to the effect that transmission of contents of Department's message of October 6, No. 3435, to Hungarian officials was requested by Swiss Legation, Budapest. Cable from Swiss Legation, Budapest, informs that evacuation of houses in Budapest in which Jews live was started and that it is reported they will be moved to camps located on the outskirts of the city. Non-interned foreign Jews are equally subject to this treatment.

HARRISON

DCR:GPW

10-21-44

GEK-113

This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (SECRET))0

Bern

Dated October 20, 1944

Rec'd 12:10 p.m.

Secretary of State

Washington.

6951, October 20, 9 a.m.

FOR WRB FROM MCCLELLAND

FOR UNION OF ORTHODOX RABBIS FROM STERNBUCH:

We have received trustworthy information from France that internees removed from Vittel this spring were subsequently deported from France to east in two groups which left toward middle and end May respectively. Please request Paraguayan Government take necessary steps through Spanish Embassy at Berlin to determine, if possible, present whereabouts fate these people.

Former Swiss federal councillor Musy at our request has declared his readiness go to Berlin and attempt locate and rescue these Vittel deportes."

HARRISON

BB.

GEM-114

This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (SECRET 0)

Bern

Dated October 20, 1944

Rec'd 12:32 p.m.

Secretary of State,

Washington.

6953, October 20, 11 a.m.

FOR WRB FROM MCCLELLAND

FOR VAAD HAHATZALA EMERGENCY COMMITTEE FROM
STERNBUCH:

We contacted Griffel with regard his departure plans and will give him financial support if necessary. Meantime Klarman arrived Bucharest. We transmitted his information to ITA New York. Concerning Oswiecim and other concentration camps we contacted Papal Nuncio who promised energetic intervention by Pope. Direct contact with these camps impossible. We are sending food parcels by Intercross as we have already done for Theresienstadt. Samuelowicz confirmed twelfth October receipt of Swiss francs 85,010.

Situation Slovakia very bad. Almost all Jews Bratislava deported to Theresienstadt and Poland. Rabbi Weiss Mandel remained Bratislava. We sent a special delegate to France and Belgium in order to gather exact information about deportees and liberated people.

WSB

HARRISON

cc: Miss Chauncey (for the Sec'y) Abrahamson, Aksin, Cohn, Drury, DuBois, Friedman, Gaston, Hodel, Lesser, Marks, Mannon, McCormack, Fehle, Files.

MEM-304

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

Bern

Dated October 20, 1944

Rec'd 9:35 p.m.

Secretary of State,

Washington.

6964, October 20, 6 p.m.

Numbered Paragraph Two (Department 3496, October 13, WRB 213) communicated to Swiss with request that information contained therein be utilized to extent possible in expeditiously protecting bearers of Ecuadoran documentation in Hungary, pending further action by Ecuadoran Government in connection formal representation its interests in Hungary by Switzerland.

Legation wishes observe with reference numbered Paragraph Three that Switzerland has shown greatest reluctance in taking action on matters involving interests of any country not officially represented by it in the enemy country concerned, such official representation being predicated on formal request to Swiss Government by the country seeking representation. This consideration led Legation to make suggestion contained final paragraph its 4518, July 14, 6 p.m. Legation notes in connection reference to its 6219 September 20 in numbered Paragraph Three Department's 3496 that Swiss representation of Nicaraguan interests was based on formal request conveyed Department's 3141 September 11, 8 p.m.

HARRISON

WMB

BAS-343

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

Ankara

Dated October 20, 1944

Rec'd 11:38 p.m.

Secretary of State,

Washington.

2008, October 20, 1 p.m.

FROM KATZKI FOR PEHLE, WAR REFUGEE BOARD.

ANKARA'S NUMBER 168

Reliable information has been received in Istanbul from Sofia that upwards of 6,000 Jews, mainly Hungarians, between the ages of 16 and 60, were liberated by the Allied armies when they occupied Bor, Yugoslavia, near Nish. These men had been laboring in a copper mine, 5,000 for 15 months and 1,500 since June 1944. Several hundred men previously had been evacuated with the German armies to erect fortifications in Belgrade. The Russian authorities have advised the liberees that they are free to travel wherever they wish. 900 have declared themselves ready to join Allied armed forces, 700 more were willing to join but were too weak physically to do so. The remainder comprised youths too young or men too old to take up arms.

The foregoing is for your information. It is to be noted that although the liberees have been advised that they may travel wherever they wish, no arrangements have been made elsewhere for their reception. They cannot remain in Bor according to information received.

STEINHARDT

WMB
REP

The attached cable to Moscow replaces cable timed 4:15 p.m., October 19, 1944 (reference Department's 1812 of July 28). 110

CABLE TO AMBASSADOR HARRIMAN, MOSCOW, FROM WAR REFUGEE BOARD.

Kindly refer to Department's 1812 of July 28.

The Department considers it desirable to inform the Soviet Government of the following. The Department has been advised that discussions have recently taken place on the Swiss border between representatives of the Jewish groups in Budapest, accompanied by reputed Gestapo agents, and Swiss citizens representing the Swiss Jewish community in an effort by the latter group to forestall, if at all possible, the continued deportation and extermination particularly of Jews from Hungary and Slovakia. The Swiss citizens involved in these discussions have acted in the belief that lives can be saved and precious time gained by prolonging discussion pending the solution of the problem by military action. No commitments have been made or authorized. American Jewish groups are being kept informed of the discussions and Moscow will be further advised of any significant developments.

11:30 a.m.
October 20, 1944

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11:30 a.m.
October 20, 1944

AVH-649

PLAIN

Moscow via Army

Dated October 20, 1944

Rec'd 7 p.m. 21st.

Secretary of State

Washington

4019, Twentyfirst

FROM RER October 20 devoted 11 inches to Tass report quoting from Stockholm NY DAG describing alleged anti-Soviet emigrant organization of refugees from the Baltic states and criticizing part allegedly played by Swedish Government in fostering activities of this organization. Article states that about 30,000 refugees from Baltic have arrived in Sweden. They need assistance and must be returned to their homes when period of peaceful reconstruction begins. Basic problem is Fascist group among Baltic emigrants. Article asserts that 6 or 7 thousand Estonians of Swedish extraction were evacuated to Sweden and that other Estonians and Latvians were sent to Sweden in accordance with plans of Baltic organization. It asks how the Swedish Government which recognized de facto and de jure union of Baltic States with Soviet Union could permit cooperation of Swedish authorities in organizing transfer of population from Soviet territory.

Final paragraph of quotation reads in translation as follows: "After the liberation of Estonia some kind of a 'national' government suddenly appeared. The Estonian people took no note of this government but the Swedish press advertised it as a political reality. Thenceforth nothing further was heard of this government but we found out that one of the employees of the American Mission has the same name as one of the Ministers of this 'government'. It is stated with absolute definiteness that this is one and the same person. It would be highly desirable to receive the explanations of the American Minister Johnson on this matter. For it is a question of relations with the great ally of the United States. Let the American Minister also state whether it was known to him that

one of

-2- #4019, Twentyfirst, from Moscow via Army

one of his employees donated more than 900,000 Swedish crowns for the establishment of the Baltic organization in Sweden. We must assume that this was unknown to the Minister, and we hope that our communication will arouse him to undertake an investigation and to find out that certain of his 'officials' are concerned in these affairs".

Repeated to Stockholm.

HARRIMAN

DU

NOT TO BE RE-TRANSMITTEDOFFICE
SECRETARY OF TREASURYCOPY NO. 11

1344 OCT 11 1944

SECRETOPTEL No. 341

TREASURY DEPARTMENT

Information received up to 10 a.m., 20th October, 1944.

1. NAVAL

MEDITERRANEAN. 16th/17th. Coastal reconnaissance reported probable demolitions Genoa.

17th. 5,000 men, 400 M.T. and 1,000 tons stores landed Piraeus. Harbour facilities adequate, power light and water available. Patras, Preveza and Kalamata opened for relief shipping.

18th. Garrison of Santorin surrendered to one of H.M. Cruisers.

19th/20th. Two of H.M. Destroyers drove ashore and destroyed an enemy destroyer west of Skiathos.

2. MILITARY

WESTERN EUROPE. U.S. troops have advanced about 1,000 yards into Western outskirts Aachen. U.K. troops have made local advances south and east of Venray and Canadian troops have advanced up to 2 miles westwards in area south of Scheldt.

ITALY. North of Rimini-Cesena road a firm bridge-head has been established across Pisciatello and leading infantry have reached the Mesola (runs N.E. from Cesena). Progress also made towards Cesena and good progress across the Savio in area N.W. of Mercatio.

BURMA. 17th/18th. British patrols entered Tiddim unopposed.

3. AIR OPERATIONS

WESTERN FRONT. 19th. 945 escorted U.S. heavies employed Pathfinder technique in dropping 1314 tons Mannheim, 711 tons Mainz, 154 tons A.F.V. station near Mainz, 70 tons Karlsruhe. 10 bombers, 7 fighters missing. About 550 fighter bombers and fighters (2 missing) operated in battle areas, 72 locomotives, 112 vehicles destroyed. 511 aircraft carried supplies to continent.

19th/20th. Aircraft despatched:-

Stuttgart	582 (6 missing)
Nuremburg	270 (2 missing)
Wiesbaden	48
Dusseldorf	6
Bomber support	117 (1 missing)

MEDITERRANEAN. 17th/18th/19th. 227 tons dropped on Vinkovci railway centre (90 miles W.N.W. of Belgrade) with good results.

18th. 28 medium bombers and 263 fighter bombers and fighters attacked communications in Italy and targets in battle area.

4. HOME SECURITY

19th/20th. 18 flying bombs plotted.

Regraded Unclassified

115
*Gaston gave this
information to
Sey on phone
October 21, 1944.
10/21/44.*

October 21, 1944.

Memorandum

TO: Secretary Morgenthau
FROM: Mr. Gaston

You are to speak in New York on the evening of Friday, October 27, at a dinner to be given by Businessmen for Roosevelt, Inc.

The place: Starlight Roof, Waldorf Astoria Hotel.

Dinner: 7:00 P.M. Your speech to begin 9:30 P.M.

Length of speech: 20 minutes.

Radio: Local station or stations, one-half hour -
9:30 to 10:00 P.M., following National hook-up
for the President, 9:00 to 9:30 P.M.

I obtained the above information from a Mr. Latham, in the Speakers' Bureau of the Democratic National Committee, whom I called after talking to Jim Barnes.

While the dinner hour is set at 7:00 P.M., I assume it will not start before 7:30. As indicated above National hook-up time from 9:00 to 9:30 has been obtained for the President and after he concludes you are to follow him on a local hook-up. At some time in the evening, presumably before the President speaks, Joe Davies is to address the audience but without any radio. The President is to be introduced probably by Andrew Higgins, New Orleans boat builder. I was unable to learn by whom you are to be introduced.

While the sponsors of the dinner are arranging thirty minutes of local radio time, from 9:30 to 10:00, following the President, I was told by Latham, when he called me back yesterday evening, that twenty minutes would be about right for your speech and that the Committee would arrange to use up the other ten minutes in some way. When I first

- 2 -

talked to him in the afternoon he told me that you were to have thirty minutes, contrary to my original information obtained from Miss Michener that yours was to be a fifteen minute speech. I told Latham that if the radio time was thirty minutes your speech certainly should not be longer than twenty-five to allow time for introduction and closing. He agreed to that and then when he called me back later he suggested that we make it twenty minutes.

The Starlight Roof accommodates about a thousand people and it is expected that it will be filled.

The man who is making the arrangements for the dinner on behalf of Businessmen for Roosevelt, Inc. is Lawrence Liebson, Plaza 8-2453.

A handwritten signature, possibly reading "MSH", is written in dark ink. It is enclosed within a large, sweeping, handwritten loop that extends to the right.

Sent to Hqrs in N.Y. -
10/21/44 -

Prepared for the
President - 117

THE ECONOMIC BILL OF RIGHTS

This evening I want to talk to you about the future which I feel is in store for the American people and to outline to you my plans for meeting here at home the problems of peace.

For the second time in twenty-five years America has proved her capacity to meet the challenge of total war. Twice in twenty-five years we have amazed the whole world - and ourselves - with our daring conception of what America could do when forced to war. We have astonished a grateful world by the stupendous number of planes, tanks and guns rolling off our assembly lines; with the bridge of ships we have erected across the oceans; by the overwhelming force with which America has turned the scales of battle.

Thus has America met the challenge of war - with boldness, courage and determination. Thus has America become the symbol - the world over - for the dynamic force of a free people fighting for a free world.

But what of the peace-time problems here at home which will follow the successful conclusion of this war? Is America prepared to meet the challenge of these peace-time problems as it has twice met the challenge of war? Will we approach the problems of peace with the same boldness of conception, the same courage and determination as we have approached the problems of war?

- 2 -

In the answer to these questions lies the future of America. To anyone who has faith in America the answer is clear. The American people are prepared to meet the problems of peace in the same inspiring way that they have met the problems of war. The American people are resolved that we shall insure that the youth of this nation will never again be called upon to fight in another war. And the American people are equally resolved that when our boys return home from this war, they shall come back to the brightest possible, the freest possible, the finest possible place on the face of this earth - to a place where all persons, regardless of race, color, creed or place of birth, shall live in peace, honor and dignity - free from want - and free from fear. To do otherwise would betray the faith of every soldier, every worker, every businessman, every farmer in this country who is giving his best for America.

In determining the course of action we should pursue after the war, it is well for America to pause and take stock of her capacities. For America's capacities should be the measure of America's future.

America's known capacities are not difficult to calculate. We are now producing goods and services to the gigantic total of \$200 billion a year with 52 million workers and 12 million soldiers. In simple language that

- 3 -

means that today America is producing nearly twice as much as she had ever produced before the war. But an enormous part of the goods and services we are producing today does not find its way into the American home. No, it represents the ships, the guns, the planes and tanks we are using to fight this war.

But I know, and you know, that, if we can produce a huge flow of ships and guns and planes and tanks, we can also produce an abundance of houses and cars and clothing and provide education and recreation and the other good things of life for all Americans.

And I know, and you know, that when our boys return home from the war and are again able to put their power into the stream of peace-time production, America's capacity to produce will be even greater than it is today. Yes, much greater than today even when we remember that some of our returning soldiers will prefer to resume their education; that some older people will begin a retirement delayed to participate in war work; and that many women will give up their jobs in favor of home-making. Making full allowance for these groups, the fact remains that America will have the capacity after the war for producing houses, cars, clothing, education, recreation and all of the other good things of life on a scale that staggers the imagination. That is what America can and will do if we have the courage and vision to give her the chance.

- 4 -

But to accomplish this task of utilizing our full productive capacity year after year, it is childish to think, as some would suggest, that we can depend upon the accumulated backlog of demand for 6 million automobiles, 3-1/2 million vacuum cleaners and 7 million alarm clocks and so on! Why an America geared to that limited conception of the future will find itself faced with millions of unemployed. In fact that kind of thinking sounds to me as though our doughboys returning from this war would have to face the prospect of peddling alarm clocks this time instead of apples.

I say to you here and now that we cannot set our sights to a level which we have long since passed. The same people who set their sights too low for war are now asking the American people to set their sights too low for prosperity. They do not grasp the strength and the spirit of America.

Nor do any of us think for a minute that there is any quack remedy or cure-all that can be automatically applied. The sober facts are that genuine progress will be achieved only through concrete plans and a real effort.

I made plain my views on this subject to Congress in January of this year. In that message, I set forth eight self-evident economic truths. I said then and I say now that these economic truths represented a second Bill of Rights under which a new basis of security and prosperity

- 5 -

can be established for all - regardless of station, race or creed.

America led the world in establishing political democracy. It must lead the world once more in strengthening and extending political democracy by firmly establishing economic democracy. Let us not forget the painful lessons of the rise of Fascism. Let us remember that political democracy is at best insecure and unstable without economic democracy. Fascism thrives on domestic economic insecurity, as well as on lack of or divided resistance to external aggression. Fascism is not only an enemy from without, it is also potentially an enemy from within.

We now must establish an Economic Bill of Rights not only out of common decency, but also to insure the preservation of our political freedoms. We must accord to this Economic Bill of Rights the same dignity - the same stature - in our American tradition as that we have accorded to the original Bill of Rights.

Let us therefore affirm this Economic Bill of Rights - and keep affirming it - until it is as familiar and real to us as our political Bill of Rights.

The Economic Bill of Rights as embodied in my message to Congress last January is:

- 6 -

The right to a useful and remunerative job in the industries, or shops or farms or mines of the nation;

The right to earn enough to provide adequate food and clothing and recreation;

The right of every farmer to raise and sell his products at a return which will give him and his family a decent living;

The right of every businessman, large and small, to trade in an atmosphere of freedom from unfair competition and domination by monopolies at home or abroad;

The right of every family to a decent home;

The right to adequate medical care and the opportunity to achieve and enjoy good health;

The right to adequate protection from the economic fears of old age, sickness, accident and unemployment;

The right to a good education.

But the achievement of this American Economic Bill of Rights will not come of itself. These rights will not come to those who merely sit and wait. Nor will they come through merely pious repetition. Our forefathers had to struggle for our political Bill of Rights; we will have to struggle for our Economic Bill of Rights. If we are going to make those Rights a living reality we must map out a vigorous and concerted course. We must set as our goal the implementation and fulfillment of the 8 self-evident truths which together constitute our Economic Bill of Rights.

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The key to making this Economic Bill of Rights a part of the American way of life is as self-evident as are the rights themselves. The key is the wholehearted recognition by all our people of the simple fact that in America the future of the American worker lies in the well-being of American private enterprise; and the future of American private enterprise lies in the well-being of the American worker. The greatest single thing that this war has demonstrated on the home front is that when the American worker and the American businessman and the American farmer work together as one team, there are no limits on what America can accomplish.

But to work together as a team, however, there must be a common goal. In this war that goal has been the defeat of our enemies in the shortest possible period of time. In the peace to come the goal must be the well-being of America - and that is synonymous with the well-being of every American.

As I outline to you tonight my program for making each of these economic rights a part of our way of life, you will note this striking fact, namely, that to the extent that private enterprise grows in strength, the Economic Bill of Rights grows in reality - and to the extent that the Economic Bill of Rights grows in reality, American private enterprise grows in strength. Thus, all the measures which are proposed in this program for the

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implementation of the Economic Bill of Rights are at the same time designed to make American capitalism and private enterprise work in the same great manner in peace as it has worked in war.

When I enunciated this Economic Bill of Rights last January I said that after this war is won we must be prepared to move forward, in the implementation of these rights, to new goals of human happiness and well-being. I asked the Congress to explore the means of implementing these rights and stated that from time to time I would have more to say on the subject.

Tonight, I want to discuss this Economic Bill of Rights with all of you. I want to outline how the adoption of concrete measures to implement these rights represents the very foundation of American prosperity in the years to come.

And I also want to emphasize what the implementation of these rights will mean to our service men and women. They have given America the opportunity to work out its destiny as a free nation in a free world. The America to which they return must be a land of economic opportunity in which they will find full opportunities not only for jobs but for economic advancement and independent enterprise in industry, commerce, agriculture and the professions. A grateful nation can do no less for her returning service men and women. The E. O. Bill of Rights

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which became law in June of this year, following a series of recommendations which I made to the Congress, is only designed to fulfill the special needs of our men and women in the service. The Economic Bill of Rights is designed to fulfill the needs which they value most, yes, the needs which they value more than life itself - the needs of America.

I

The first economic right is "the right to a useful and remunerative job in the industries, or shops, or farms or mines of the nation."

To assure the full realization of this right to a useful and remunerative job, an adequate program must provide America with 60 million productive jobs. We must have more jobs than workers; not more workers than jobs. Only with more jobs than workers can every man be guaranteed a job with good wages and decent working conditions. This requires private enterprise working at expanded capacity.

This necessary expansion of our peace time productive capacity will require new facilities, new plants and new equipment.

It will require large outlays of money which should be raised through normal investment channels. But while private capital should finance this expansion program, the Government should recognize its responsibility for sharing

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part of any special or abnormal risk of loss attached to such financing.

Therefore I propose that the Government guarantee the lender against all special and abnormal risks which may be involved. This will provide new and expanding industry with plenty of private credit at reasonable interest rates. Through this program we will merely be extending to the financing of old and new business the principles which have proved so successful in our experience with the V Loans, T Loans and the Federal Housing Administration loans.

A comprehensive investment program dedicated to expanding the peace time productive capacity of America is the very epitome of the American way of raising our standard of living. We build the plants for greater production so that all of us may share in their greater output. But greater output is not our only benefit from this plant expansion. In fact, our benefits also include the wages paid to the labor employed in building these plants, in constructing the machinery to be used in the plants and in operating the plants after they are erected. These payments as wages all contribute to the nation's buying power so that as a nation we will have more money with which to buy the goods produced by these expanded plants.

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As a matter of fact a comprehensive investment program of this character could make possible \$20 billion of new private investment each year. Why, just the job of building these plants and the machinery for them would give America 5 million more jobs a year than we had in this work before the war. And this does not include the workers who would be needed to operate these plants after they are built.

In a nutshell, then, if we are going to have remunerative jobs for all, we must have an expanded private industry capable of hiring millions more men. I propose that the Government do its part in helping private enterprise finance this expansion of our industrial plant. It will be privately owned, privately operated and privately financed but the Government will share with the private investor the unusual and abnormal financial risks which may be involved in getting started.

But, in providing jobs for everyone, we shall not only have to increase demand for our industrial and agricultural production here at home; but also abroad. Some parts of our industrial and agricultural production demand a high level of foreign trade to be efficient and prosperous. This is particularly true in our heavy equipment industries where our war demand will fall sharply but whose output will be needed by other countries for reconstruction and

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development. The foreign demand for such farm commodities as cotton, tobacco and wheat will also be great if other countries have the opportunity to buy. We therefore must take steps, in cooperation with other countries to see that international trade and investment is resumed promptly on a sound basis.

This Administration has pioneered in the direction of international economic collaboration with its reciprocal trade program and the establishment of the Export-Import Bank. It has again taken the lead in suggesting international monetary stabilization and sound international investment measures - measures that are a fundamental prerequisite to healthy foreign trade and commerce. It was for the purpose of working out concrete measures of this character that I convened the United Nations Monetary and Financial Conference at Bretton Woods last summer. At the Bretton Woods Conference, forty-four countries agreed upon plans for an International Monetary Fund and an International Bank for Reconstruction and Development.

The International Monetary Fund, when approved by Congress, will aid the nations of the world in establishing sound currencies. It will clear the channels of foreign trade of discriminatory restrictions and controls so that there can be a genuine expansion of world trade.

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With the help of the International Bank, American capital can play a great constructive role - and a profitable role - in the development of the economies of other countries. It will provide us with enormous post-war foreign markets. For our greatest markets are in prosperous, industrialized countries.

But America will not be merely a seller of goods abroad. A truly prosperous America - an America with jobs for all - will be a tremendous buyer of raw materials and products from abroad. It will be an America constantly enlarging the scope of our reciprocal trade agreements. It will be an America with the time and money to spend on tourist travel abroad as well as at home. It will be an America from which other countries can afford to buy more because they are selling more.

With Congressional approval of this program and with our program of jobs for all in this country - the foreign trade of the United States can be trebled after the war. This increase in our foreign trade should mean 3 million more jobs after the war than we had before the war.

Nor are the benefits of increased foreign trade and investment confined to increasing our prosperity. I want to emphasize that such cooperative measures for expanding international trade and investment are at the same time the economic foundation for a lasting peace. A prosperous world will be a world free of both economic and political

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aggression.

There is one further phase of this program of providing jobs for all which must be made an integral part of any long range program. That is the task of seeing to it that there are not just jobs for all next year - or for the year after that. No, we are talking about jobs for all as a permanent part of our American way of life.

But it is inevitable, however, that an economy of free enterprise like ours will have some fluctuation in the number of jobs it can provide. Adjustments in employment are an essential part of an expanding free economy. And for these minor fluctuations, we provide unemployment insurance. But we must not allow such fluctuations ever to deteriorate into panic or depression. We cannot again be caught in that vicious downward spiral of unemployment, wage cuts and stagnated business.

I say to you that whenever the number of gainfully employed in this country falls below 57 million, your Government must and will take prompt steps to see that new jobs are made available to keep the total from falling significantly below that figure. This is the floor below which we must not allow employment to fall.

The basic function of your Government in taking care of any such slack in jobs is to see to it that private enterprise is assisted until it can absorb this slack.

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This is entirely possible. During the war the federal, state and local governments have found it necessary to put aside the construction of roads, buildings and public facilities to the value of many billions of dollars. We have a need, too, for vast programs of the type exemplified by TVA.

Some of this construction will have to be undertaken immediately after the war. A good deal of it, however, can be postponed so that its construction could be timed with periods when the volume of employment that industry, commerce and agriculture can offer begins to fall. We must have a reservoir of planned and approved federal, state and local projects ready to be tapped. And when employment falls below this floor of 57 million jobs, this reservoir of planned and approved public works should be opened up to provide more jobs and take up the slack.

Such useful and essential public works should not produce Government or "relief" jobs, however. No, they should produce private jobs. This is possible if we insist that this construction be done by private firms under contract with the Government; private firms employing labor at the prevailing rate of wages and under standard labor conditions.

This assurance of a reserve of private jobs, through constructive public works when needed to take up the slack, will have a profound effect on the whole direction of our

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economy. In fact, the knowledge that Government accepts this responsibility of maintaining a floor under jobs will act as an immense stabilizing force on the whole economy.

II

The second economic right is "the right to earn enough to provide food and clothing and recreation."

America must remain pre-eminently the land of high wages and efficient production. Every job in America must provide enough for a decent living.

During the war we have been compelled to hold down wage increases that might have provoked runaway inflation. With all the arms and war materials we were producing, there was only a limited amount of consumption goods available. Increasing wages without increasing the amount of goods available to the consumer would have been an open invitation to inflation. By resorting to drastic price and wage control measures, I am proud to report that America is succeeding in holding the line against inflation.

However, the end of the war, even the end of the war in Europe, will change this picture. Then there will be more goods available for America to buy and it is only good common sense to see that the working man is paid enough to buy these goods.

The gains made by labor during the war must be retained in full. After the last war, as part of the process of returning to "normalcy", the old guard of the

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Republican Administration adopted the slogan "labor must be deflated." This won't happen again. This time we must make sure that wage rates are not reduced when the wartime demand for labor is diverted into peace time channels. We must make sure that the labor market is not broken by unemployment and wage slashes.

I can say now that so long as I am in the White House, American labor can be assured that there are not going to be any wage cuts that I can stop. What is even more important - I am going to see that when the worker's hours are cut back to peace time levels a real attempt is made to adjust wage rates upward.

And I propose that wages should be constantly increased as the productivity of industry is increased. An expanding American economy can continue to expand only if the increased productivity is divided equitably between business and the worker. In fact - you know, and I know, that unless the worker does get his share of America's increased production in the form of increased wages and unless business gets its share in the form of increased profits - neither will prosper and all will lose.

But an increase in wages is not the only benefit the American worker should secure from increased productivity. He should also benefit in the form of shorter hours of work, in the form of increased leisure and opportunities for healthful recreation. Thus increased wages and shorter hours go hand in hand in solving prosperity the American way.

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There is one further aspect of the wage-earner's problem that I want to touch on tonight. That is his aspiration for an annual wage or guaranteed annual income from his job. It is a terribly important part of any real attempt to implement America's Economic Bill of Rights. The size of the wage-earner's pay envelope is important - vitally important to American prosperity. But we all know that it is equally important to know how many pay envelopes he gets during a year. I want to see him get a guaranteed minimum annual wage and I think the time has come for America to begin tackling this most difficult problem.

Now this goal cannot be attained overnight. It cannot be achieved in a manner to harm business. Nor can it be achieved with the same speed in every business.

But we can start on the job of giving labor an annual wage. We can do a lot if we all will only agree that it is a problem business and labor must solve and if we all approach the problem with a genuine desire to succeed. And Government must do its part too. It must aid business in stabilizing its labor needs so that the burden of an annual wage will not be uneconomical. This in my opinion is the American way to bring about the annual wage and I have confidence in the American way of doing things.

III

The third economic right is "the right of every farmer to raise and sell his products at a rate which will give him and his family a decent living."

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American farmers now have by far the largest farm income in history. This is their due reward for the greatest agricultural production in history. We must assure the farmers that there will always be a market for all their output at good prices. Concretely I propose to maintain an adequate floor on farm prices and thereby assure the farmer against the dangers of falling prices for his products. Our farm program must be one of expansion rather than curtailment. With jobs for all at good wages and with foreign markets greatly expanded, the farmer will be able to sell at good prices all that he can raise.

But this is not all. The farmer's income must have stability. To that end, I propose to establish a comprehensive federal crop insurance program which will secure the farmer against the hazards of crop failure. To this must be added concrete steps to raise the standard of living on the farm and in the rural areas. We need a complete program of new and modernized homes and farm buildings. We must press forward with rural electrification and improvement. Only in this way can we bring to the rural communities modern facilities for decent and healthful living.

IV

The fourth economic right is "the right of every business man large and small to trade in an atmosphere of freedom from unfair competition and domination by monopolies at home and abroad."

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Where this Administration is to be distinguished most sharply from some others is in its refusal to curry favor with big business or entrenched monopoly. Our Economic Bill of Rights like our political Bill of Rights is based on freedom of enterprise - freedom of enterprise not merely and exclusively for the few, but broadly and inclusively for the many. The political Bill of Rights insured the destruction of special prerogatives and privileges. The Economic Bill of Rights will insure the destruction of special economic prerogatives and privileges.

No special class of business deserves to be the spoiled darling of government. This Administration has been mindful from its earliest days, and will continue to be mindful, of the problems of small business as well as large.

We must break through the barriers of monopoly and international cartels that stand in the way of a healthy expansion of free enterprise. Against these real enemies of free enterprise we shall continue unremitting warfare.

We must overcome the monopolistic frame of mind which thinks of business in terms of restricted output at high prices per unit. We must pass on to workers and consumers the benefits of technological progress and large scale production. Free enterprise in the American tradition can flourish only by doing a large volume of business at a small profit per unit.

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My Administration is determined to protect free enterprise against monopolies and cartels through continued vigorous enforcement of the anti-trust laws. Private enterprise yields its full advantage to the consuming public and to other business only when it is genuinely free and competitive. Beware of that sinister enemy of free enterprise who pays lip-service to competition but also labels every anti-trust prosecution a "persecution."

Our economy has important new expanding sectors in air transport, frequency modulation, television, synthetic rubbers and fibers, plastics, and many other fields. These new expanding areas in particular must be kept free of the constricting hand of monopoly. There must be a place in them - as everywhere in our economy - for enterprising small firms. It is from these new and small firms that the great industries of the future will grow. We need new industries, new firms to have industrial progress and shall not permit them to be stifled by monopoly.

V

The fifth economic right is "the right of every family to a decent home."

Concretely, I propose that we adopt a housing program looking toward the construction through private enterprise of 2 million housing units a year and ridding this country of its urban and rural slums. We need to build at least

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15 million new housing units if we are to eliminate all our slums and sub-standard dwellings. The right to a home is meaningless when that home is a hovel. We cannot afford slums.

A well-housed America must have modern homes - homes with all the latest electrical and mechanical equipment which will eliminate the drudgery of household work. We must be a land of homeowners, and to that end we must assure every family an opportunity for home ownership by making certain that there is available private credit on terms which will reduce the down-payment and cut by one-third the monthly cost of buying homes.

New residential construction and the modernization of America's homes alone can provide jobs for 4 million people a year. This is 2 million more than the maximum amount engaged in such work prior to the war.

VI

The sixth economic right is "the right to adequate medical care and the opportunity to achieve and enjoy good health."

As Selective Service has revealed, too large a proportion of our younger men now fall below reasonable health standards. This is a warning signal to America with respect to the state of health of all segments of our population. This condition calls for immediate and drastic action.

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We cannot permit the health of our people to be impaired by poverty or lack of medical and hospital facilities. I say to you that your Federal and State Governments have just as much responsibility for the health of their people as they have for providing them with education and police and fire protection. Health and adequate medical and hospital care are not luxuries. They are basic necessities to which all are entitled.

We must see that medical attention is available to all the people. But this health program must be achieved in the American way. Every person should have the right to go to the doctor and hospital of their own choosing. My program calls for the Federal and State Governments to work hand in hand in making health insurance an integral part of our Social Security program just as old age and unemployment benefits are today. And these health insurance benefits must be adequate to provide private medical and hospital care for every person in the United States.

We need more hospitals and doctors. I propose that we make sure that such facilities are available and that we build hospitals in every community, rural and urban, that does not now have such facilities for all of its people.

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Never again can we afford the waste of poor health in America because of poverty or inadequate facilities. And I say to you now that this program will prove in the long run to be a saving to America.

We must not be content to provide medical attention for people after they become sick. We must implement and extend our knowledge of preventative medicine. To the end that we shall be much better able to attack diseases and to prevent illness, I propose that the Government appropriate needed funds to finance a greatly expanded program of medical research in private and public institutions.

VII

The seventh economic right is "the right to adequate protection from the economic fears of old age, sickness, accident and unemployment."

We must assure people who are disabled and temporarily unemployed that they will be taken care of adequately. We must assure them that they will not be in want because of loss of income during this period of compulsory unemployment. We cannot neglect these groups without incurring serious dangers to the stability of our whole economy.

But we should be wary of those who only pay lip-service to the principle of Social Security but have a sorry reputation when it comes to delivering on their promise. In 12 years of Republican Administration this, the richest country in the world, fell far behind other

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industrial nations in the development of Social Security legislation. Every step in the establishment of our social security system has been fiercely resisted by the Republican Old Guard. Even now while advocating the extension of social security in vague, vote-catching terms, the Republican party evades all major concrete steps to expand Social Security. The Republican candidate for the Presidency, some weeks ago, made his formal obeisance to the need for Social Security by limiting his remarks to a few piddling generalities.

Meanwhile, for more than a year, there has languished in Congress a carefully-drawn, comprehensive Bill to extend the coverage and increase the benefits of Social Security. I refer to the Wagner-Murray-Dingell Bill, introduced into Congress by three liberal Democrats. It gives effective universal coverage and provides benefits for old age, unemployment, medical care and disability. Yet no prominent Republican - in or out of Congress - has raised his voice in support of this Bill. That in my mind is the tip-off of what America can expect when the "chips are down."

Being introduced in wartime, when we have been concerned about restraining consumers' demand rather than expanding it, the Wagner-Murray-Dingell Bill will need to be revised to suit our postwar world - revised in both its scope and method of financing.

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A broader program will be needed after the war. Old age insurance should be adequate to provide all of our older men and women with the means for decent living. Our present old age benefits are definitely inadequate. I propose that we immediately establish the principle of giving a minimum Federal old age pension of \$60 per month to every person who has reached the age of sixty. This minimum \$60 per month pension should be available to every man and woman over the age of 60 who makes application. If both husband and wife are over sixty, this will mean a monthly income of \$120 per month. It should be deemed to be a right, not a charity, a right springing from the years of service each person delivers to the sum total of a better America.

This social security program will, of itself, by adding to the spendable purchasing power available to the people and by placing a floor on consumption, add from two to three million jobs a year.

VIII

The eighth economic right is "the right to a good education."

We must have an educated and informed America. Even now most of our rural areas and some of our urban areas are poorly provided with schools. Our teachers are underpaid. Our schools are badly understaffed. We need more schools and at least one-half million more teachers.

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Through Federal aid to poorer communities for the development of locally controlled educational programs, we propose to equalize and extend educational opportunities throughout the land. We propose to provide facilities for technical and higher education for all qualified young men and women without regard to their financial means. In this America, the pioneer of free education, the right to technical and higher education should be as universal as the right to a secondary school education.

This is the program that will bring to reality our Economic Bill of Rights. It is a program that will provide jobs, economic security and rising standards of living for all Americans - regardless of race, color or creed. Our democracy can be a living force only if it means the good life for all the people.

The millions of more productive jobs that this program will bring are jobs in industry. They are jobs based on the expanded demand for the output of our economy for consumption and investment. And this program need place no real burden on the Federal budget, notwithstanding the reduction in taxes which must come after the war. On the contrary, a program of this character can provide America with a national income of \$200 billion. With a national income of this magnitude it will be possible to reduce the tax rates still further on personal incomes, on business profits, and on consumption, and still collect enough tax revenues to meet the needs of the Government, including orderly retirement of the national debt.

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This, my friends, is our immediate goal, once final victory over our enemies has been achieved.

Now there will be, I am sure, those who will say that the goal which I have set for you is fantastic. These are the persons of limited vision and blunted imagination. These are the same persons who said I was dreaming when I declared in 1940 that the American people would produce 50,000 planes in one year. In fact the American people produced over 100,000 planes in one year. These persons also labelled 8,000,000 tons of shipping in one year a dream. The American people actually produced _____ tons. 45,000 tanks was supposedly another dream. In fact we produced _____. And these are also the same persons who scoffed at the idea that America could in less than 4 years build the greatest Army, the greatest Navy and the greatest air force in all the world. Do these Monday morning quarterbacks have that great faith in the American people, and in their way of life, which is required in order to understand the meaning of America?

And yet these same great visionaries who see but dimly into the future have excellent hindsight. As the great events of history march forward, while they look back, they are at least able to recognize what has passed them by. Only then do they shake their heads wisely and proclaim that of course it must be so. They have seen it with their own eyes. Thus, for example, they say, and I

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am quoting:

"Of course, we need security regulation.

Of course, we need bank-deposit insurance. Of course, we need price support for agriculture.

Of course, the farmers of this country cannot be left to the hazards of a world price while they buy their goods on an American price. Of course, we need unemployment insurance and old age pensions and also relief whenever there are not enough jobs. Of course, the rights of labor to organize and bargain collectively are fundamental."

I suppose that after this program to which my Administration is pledged has become an accepted part of our way of life, the battle-cry of the hindsight artists will go something like this. They will say that of course the right to a useful and remunerative job in the industries or shops or farms or mines of the nation is self-evident; of course the right to earn enough to provide adequate food and clothing and recreation is self-evident; of course the right of every farmer to raise and sell his products at a return which will give him and his family a decent living is self-evident; and of course this and of course that. Oh, I forgot - there is one more "of course" that they will add. They will say "Of course, we could have done it better."

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I am confident, however, that the great majority of the American people share the same great faith in America and in the American way of doing things which I have expressed tonight. We know our way and the road ahead is straight and broad although there are many hills which we must climb. The program which I have set forth is only the first milestone, for the capacity of the American way of life in the years to come is beyond the vision of man. The American system of free enterprise is the best the world has ever known and through it we can obtain, God willing, the best that this world has to offer.

EXCERPT FROM

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
 TO: Secretary of State, Washington
 DATED: October 21, 1944
 NUMBER: 9068

CONFIDENTIAL

PRIORITY.

The following for WT is transmitted.

Three. Nussbaumer in a letter dated October 5 has in an informal manner brought to the attention of the British Commercial Counselor the case of the Banque Populaire Suisse which faces a situation that is difficult because of the conflicting instructions issued by the Federal Department of Justice and Police of the SED. When they enter Switzerland all refugees must surrender to custom officials any currency they may carry, all valuables, and bank notes, and many of them carry dollar notes and sterling. At the Banque Populaire Suisse these notes are deposited under the control of the Federal Department of Justice and Police which instructs the Banque Populaire Suisse to convert amounts sufficient to secure their existence in boarding houses and hotels where they are lodged, into Swiss francs. Suggesting a monthly maximum of \$200 or 50 pounds per person in order to avoid hardship to refugees, the Banque Populaire Suisse has inquired whether they may continue to buy such dollar notes and sterling from refugees. Should this be agreed to, the problem would come up of how the Banque Populaire Suisse could dispose of the notes in view of the fact that they are forbidden by SBA to resell on the market, and repatriation in some manner, either now or later, against free dollar or sterling credits, or delivery to the Legations, is suggested by Nussbaumer. Reply is proposed by MEW that they do not intend to condone such transactions with refugees, neither do they intend to provide any means by which the Banque Populaire Suisse could secure value for the notes in view of the fact that any arrangement would merely involve import of the notes ultimately into the United States or the United Kingdom, and there is legal prohibition against this. British authorities here believe that they must keep intact the general policy for the treatment of their notes abroad, although this may work hardship on refugees. Since the introduction of exceptions would have a tendency to lead to a series of administrative difficulties, and regulations, the Embassy agrees with this view.

Four. Information has been received by MEW that Germany possesses very large amounts of French franc notes, and dealings in Switzerland in

French franc notes seem to be reaching such proportions as to cause a great deal of anxiety in Bern to the French Financial Attache there. Suggestion has already been made to Nussbaumer by the British Legation that measures to be taken by SBA which are similar to those measures for dollars and sterling notes, and the Embassy and MEW are of the opinion that in any action which the French are able to take, they should be supported strongly. MEW is taking up this matter with the French authorities. This problem, the Embassy wishes to point out, may soon come up in connection with Dutch guilder notes and the Belgian franc, and we are of the opinion that, when they initiate action, similar support should be given to these governments.

WINANT

BCR:ICW:MLM 10-26-44

CABLE TO AMERICAN MISSION, PARIS, FROM WAR REFUGEE BOARD.

Please deliver the following message to Albert Guigui, Confederation Generale du Travail, Paris, from Sheba Strunsky of the International Rescue and Relief Committee:

QUOTE ASK YOU PLEASE APPOINT IMMEDIATELY AFTER CLEARANCE WITH RENE ACCEPTABLE FRENCHMAN AS TEMPORARY REPRESENTATIVE OUR COMMITTEE FOR PARIS. INFORM US SOONEST POSSIBLE UNQUOTE

2:50 p.m.
October 21, 1944

GEM-681

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

Jerusalem

Dated October 21, 1944

Rec'd 8:02 p.m.

Secretary of State,

Washington.

158, October 21, 4 p.m.

Meilech Neustadt requests the Refugee Board to
transmit the following message to David Wetheim,
Paole-Zion and Louis Segal Jewish National Workers
Alliance, 45 East 17th Street, New York.

"Jarblum already in Paris succeeded there establish
Jewish representation including all circles also con-
sistory and shatfanim. All expressed positive attitude
Palestine. Their program similar to your Jewish conference
through encountering again difficulties on the part of
Paris consistory. 80,000 Jews passed through D'rancy
deported. Jarblum dealing with governments commission
for repatriation departed et cetera. Asking Stephen
Wise should charge him officially by cable deal this
matter. Rudel now at Stockholm (?) help Hungarian Jews
arranged 5,000 Swedish protection passport further 4,000
ready next few days giving almost full next deportation."

PINKERTON

RR

MRQ-795

PLAIN

Lisbon

Dated October 21, 1944

Rec'd 10:08 a.m., 22nd

Secretary of State,
Washington.

3211, October 21, 1 p.m.

FOR LEAVITT FROM PILPEL JDC 96 WRB 228.

In response Consulate's cable State Department informed Consulate here that Resnik's application for a validation to proceed Italy via North Africa was denied.

Perlman advises October 6 that projected evacuation of 650 from Yugoslavia suspended after 29 persons arrived Italy. Perlman hopeful evacuation may be resumed and advises that Heathcote Smith requested 300 Palestine certificates for this group. Jewish agency here advises Palestine certificates authorized 2000 France, 1000 Switzerland, 200 Belgium, mostly for children.

NORWEB

CAW

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

Please deliver the following message to Rabbi Wilhelm Wolbe,
11 Olefsgotten Strasse, Stockholm, from Rabbis Aron Kotler and Abraham
Kalmanowitz, of the Vaad Hahatzala Emergency Committee:

QUOTE GREATLY DISTURBED DEVELOPING HUNGARIAN SITUATION.
LAST HOURS FOR RESCUE OF UNFORTUNATES HELD BY GERMANS. URGE
YOU CONFER WITH DR. EHRENPRIES. EXPLORE EVERY POSSIBLE AVENUE
OF RESCUE. ADVISE IF FUNDS NEEDED. CABLE US WHAT DONE FOR
RESCUE RABBIS WASSERMAN AND GRODZINSKI. TAKE ALL STEPS,
MONEY PASSPORTS AND LIKE TO SAVE THEM UNQUOTE

THIS IS WRB STOCKHOLM CABLE NO. 118.

2:10 p.m.
October 21, 1944

CABLE TO HARRISON, BERN, AND MC CLEELAND FROM WAR REFUGEE BOARD AND DEPARTMENT.

Reference is made to Secretary Hull's statement of October 10, 1944, reported in the Radio Bulletin of .

For your information, Governor Thomas E. Dewey, Republican candidate for President, issued the following statement on October 19, 1944:

"Information comes to this country from unquestionably reliable sources that the Nazis, trapped and knowing that they are faced with inevitable defeat, are now resorting to the known gangster terror device of threatening to exterminate their very victims -- Poles, Jews and other non-German nationals -- now imprisoned by them in their horrible concentration camps in parts of Poland and other countries still occupied by the Nazis.

"The civilized world is now in a position in unmistakable terms to warn the Nazis -- military commanders, members of the German Government, their aiders, abettors and supporters -- that certain and inevitable justice awaits them for these brutal and wanton murders if their schemes should be carried out.

"I am happy to note that our State Department has issued a warning that 'if these plans are carried out those guilty of such murderous acts will be brought to justice and pay the penalty for their heinous crimes.' American public opinion will fully support the statement issued by our Department of State."

You are requested to convey the contents of the foregoing statements to the appropriate authorities and to use all possible means to give

the statements the widest publicity through any channels that may be available to you.

Repeat to: Steinhardt and Katzki, Ankara
Johnson and Olsen, Stockholm
Norweb and Dexter, Lisbon
Hayes, Madrid
Winant and Mann, London

THIS IS BERN CABLE NO. 231

11:45
10/21/44

CABLE TO MINISTER HARRISON, BERN, FOR MC CLELLAND FROM WAR REFUGEE BOARD.

Please deliver the following message to Rene Bertholet, Waserstrasse 14, Zurich, from Sheba Strunsky of the International Rescue and Relief Committee:

QUOTE THANK YOU VERY EXCELLENT REPORT STOP WE CABLED GUGUI
INNERQUOTE ASK YOU PLEASE APPOINT IMMEDIATELY AFTER CLEARANCE
WITH RENE ACCEPTABLE FRENCHMAN AS TEMPORARY REPRESENTATIVE OUR
COMMITTEE FOR PARIS STOP INFORM US SOONEST POSSIBLE END INNERQUOTE
UNQUOTE

THIS IS WRB BERN CABLE NO. 233.

2:57 p.m.
October 21, 1944

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Moscow via Army
TO: Secretary of State, Washington
DATED: October 21, 1944
NUMBER: 4020

CONFIDENTIAL

This morning I received a visit from the Swedish Minister with respect to the Tass report regarding Estonian sabotage activity in Sweden which was the subject of my cable immediately preceding.

The Swedish Minister explained, by way of background to the appearance of this item, that for a long time the Government of Sweden had been making attempts to arrange for the removal from Estonia to Sweden of all Swedish speaking elements in order to eliminate a possible source of conflict with the Soviets. Last summer there had been an exchange of correspondence between the Soviet Government and the Government of Sweden concerning one shipload of these people who had come to Visby and representations about the fact that the ship was permitted to return to Estonia were made to the Swedish Government by the Soviet Government.

Certain Estonian refugees in Stockholm had called a press conference somewhat later in the summer intending to announce that an Estonian National Government was being established to achieve the restoration of the independence of Estonia. Advanced information on this had been received by the Government of Sweden which strongly warned them that activity of this type would not be tolerated on Swedish territory. The Swedish Government had spontaneously taken this action without any suggestion from the Soviet Government. The warning had sufficed to put a stop to this activity and nothing further had been heard of it, although it had not prevented the appearance at the time of one or two press reports on the subject.

A total of about 25,000 people had come to Sweden from Estonia and other Baltic countries, principally from Estonia, in connection with recent German military defeats in that area. 8,000 of these had been Baltic Swedes and the remainder mostly Estonians, although some Lithuanians and one or two thousand Letts were included.

No information was possessed by the Minister on the specific matters which the IZVESTIA despatch discussed. The Minister was inclined to believe that the Soviet Government meant the publishing of the item to be a warning that it was paying close attention

- 2 -

to these recent refugees in Sweden and that irredentist or anti-Soviet activities by them would not be passed over in silence, and would be keenly resented here. I am in agreement with this view and I believe it probable, in view of our unwillingness to recognize the incorporation of the Baltic states into the Soviet Union, that the mention of our Legation is meant to be a hint to us that they would view with particular suspicion any connections with Baltic nationalist groups on our part. For my own background I would be glad to have an explanation for whatever substance there may be for the obviously distorted and misleading report which Tass quoted in the event the matter is raised in conversation.

The foregoing message is repeated as No. 3 to Stockholm.

KHNTIAN

DCR:IDB:MLM 11-9-44

DEPARTMENT
OF
STATE

OUTGOING
TELEGRAM

DIVISION OF
COMMUNICATIONS
AND RECORDS

158

October 21, 1944

4 p.m.

POC
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (SECRET 0)
AMBASSY

CHUNGKING

1365

FOR MR. FRIEDMAN FROM TREAS. PX

COMMUNICATIONS
AND RECORDS
(LIAISON)

1944 OCT 23 AM 10

DEPARTMENT OF STATE
DIVISION OF

1. Your (1). You are instructed to inform Mr.
FBI that the blanket license (our A-193, September 2)
supplies a supplementary procedure without affecting
the status of the general licenses.

(Reference your 1665 of October 9)

2. Your (2). Treasury does not wish to give an
informal opinion on the matter for obvious reasons and
would prefer Chinese Government not to raise the matter
at this time.

3. For your information, Treasury has transferred
\$20 million of gold on earmark to Chinese account with
Federal Reserve Bank of New York from the \$200 million
Chinese credit on the books of the Treasury.

STETTINIUS
(Acting)
(GL)

FMA:GL:ST
10/21/44

CONFIDENTIAL

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

NOT TO BE RE-TRANSMITTEDOPTAL No 342

Information received up to 10 A.M. 21st October 1944.

1. NAVAL

A strong gale continued to sweep the East ATLANTIC and coasts of the British Isles, scattering convoys and causing delay and damage to shipping. On 18th, aircraft from a British Aircraft Carrier located TIRPITZ at TROMSO and attacked two airfields in the neighborhood destroying one and probably two more German aircraft. On 14th a British Submarine probably sank a 2,500 ton ship off BODO.

Aegean On 15th Carrier-borne aircraft in VOLO area destroyed four armoured cars, three ammunition wagons, 27 lorries, and 20 other vehicles; they also sank an ammunition ship and set a coaster on fire. On 17th they successfully attacked Caiques, barges and locomotives.

East Indies On 15th and 15th/16th British ships of the Eastern Fleet bombarded the NICOBAR ISLANDS. At the same time medium and five small ships sunk and fires started among harbour installations. At least eight Japanese aircraft shot down, four of our aircraft missing.

2. MILITARY

Western Europe In the SCHELDT pocket U.K. troops have enlarged the original bridgehead over LEOPOLD CANAL in advance of two to three miles and have reached MARDENBURG. Canadians continue to advance westwards and pocket now reduced to about half original size.

North of ANTWERP U.K. and Canadian troops yesterday morning opened a new attack which is progressing well. On the right, village of LOENHOUT captured and our troops have crossed main ANTWERP-BREDA road while on the left our forward troops are on the line of the ROOSENDAL CANAL about 3 1/2 miles south of BISSCHEN.

In VANDRAY sector Germans forming up for counter attack dispersed by artillery fire. MICHEN now reported clear and official estimate puts prisoners at over 10,000.

Italy 8th Army have made good progress during the past two days, and have occupied CESENATICO. Further inland New Zealanders have reached the SAPIO about five miles North of CESENA which is now clear of enemy. On 5th Army front several important hill features have been captured, fighting continues severe.

Russia Russians have captured BELGRADE and wiped out the enemy garrison.

Burma FALAM and HAKA occupied by our troops.

3. AIR OPERATIONS

Western Front 19th/20th. 2,425 tons on STUTTGART and 901 on NUREMBERG; both attacks through cloud. 20th. 496 fighters (3 missing) supported land forces HOLLAND and N.W. GERMANY and attacked transport. 838 aircraft attacked railways East and West of the RHINE, dropping 825 tons and destroying or damaging 26 locomotives and 380 railway coaches. German casualties 24:5:25 in the air and 2:0:1 on the ground. Ours 18 aircraft missing. 160 aircraft carried supplies to the Continent, returning with passengers and wounded.

Mediterranean. 19th. 211 medium and light bombers and 620 fighter bombers attacked communications Northern ITALY with good results. The medium bombers scored 2:3:1 for four missing. 20th. 576 escorted heavy bombers from MEDITERRANEAN attacked oil targets REGENSBURG 134 tons and BRUX 309, three railway centres and an airfield Southern GERMANY 357, and three aero-engine and armament works MILAN 185. Results provisionally reported fair to good. 12 Bombers, 5 fighters missing.

German Activity 6 flying bombs plotted.

First Draft - Walden
Astoria 10/28/44 - Hutter by
Haas

DRAFT

We are told that under the Roosevelt Administration business has been in the dog house, and we are led to believe that profits have languished, venture capital has gone into hiding, stockholders have practically been reduced to selling apples on the street, and that it took a war finally to pull us out of the depression. As I have watched the corporation income reports come into the Bureau of Internal Revenue, I knew that this just wasn't so, and I think nearly all of you can verify this in the case of your individual businesses.

As a great American used to say "Let's look at the record," for this is the only way one can sift solid facts from unsubstantiated rumors. Let's ignore for the moment the rise in business activity and profits since the war began, and see what the published Internal Revenue reports have to say about business earnings in the first 7 years of this Administration, up through 1939. During this period we had two huge tasks to accomplish: first, to halt the deflationary trend which had been under way since 1929, which all efforts of the previous Administration had failed to stop; second, to develop a balanced and expanding economy, based on maintaining a high volume of purchasing power. This was designed to increase employment and incomes and to raise the entire level of business activity, while preventing a repetition of the speculative unbalance which had developed in 1929.

- 2 -

Looking back over this 7-year period, when the Administration halted the precipitous deflation of the early '30s, and built up steam in a cold boiler to start industry on the upgrade, I feel that business shared bountifully in the resulting rise in national income. Time may have dimmed the memory of the dark days of the depression, but let's go back and look at a few figures. In 1932, the last year of the previous Administration, corporations reporting to the Bureau of Internal Revenue showed an aggregate deficit of \$4,115,000,000. The great steel industry went almost out of business, with an operating rate averaging only 19.7 percent in 1932, and U. S. Steel showing a deficit of \$71 millions. In the month when the Roosevelt Administration took office, the steel rate was down to 15.7 percent.

National income payments in 1932 dropped to \$47 billions, and by March 1933 the annual rate had sunk almost to \$42 billions. Shortly after the new administration took office and began a constructive expansion program, the national income started rising. By the end of the year, income payments were back to a \$51 billion level. With the rise in purchasing power, retail trade immediately began to increase, and a general improvement spread over the country, in which business fully shared. The steel rate started to climb, employment began to increase, people began to spend more money, and the improvement became cumulative. In 1937, and again in 1939, the national income rose above \$70 billions. I watched total corporate net income climb from the deficit of over

- 3 -

\$4 billions in 1932 to a profit of over \$6 billions in 1936 and 1937, with the 1939 figure just under \$6 billions.

Let's look at the published figures for some of our largest corporations, which rumor says are particularly frowned upon by the present Administration. While total income payments to individuals increased 50 percent from 1932 to 1939, gross sales of the U. S. Steel Corporation in 1939 were nearly three times those of 1932, sales of General Motors Corporation more than tripled, while sales of DuPont Corporation and General Electric more than doubled in this period. The combined earnings of these four giant corporations totalled \$358 millions in 1939, as contrasted with a combined deficit of \$31 millions in 1932.

During this 7-year period, contrary to unfounded rumors, stockholders fared fully as well as wage earners and salaried workers. Published Internal Revenue reports show that corporations paid out 48 percent more in dividends in 1939 than in 1932. For comparison, total incomes of individuals in the form of salaries and wages increased 47 percent in that period. Nor were these dividend payments at the expense of corporation reserves, for the reports show an actual increase of 30 percent in surplus and undivided profits of all corporations in the same period.

But, some of you may say, business might have done even better. I wonder if you aren't thinking back to the 1929 era for comparison, without considering that the whole world level

of prices, prior to the war, has been on a much lower basis than in 1929, and without regard to the speculative unbalance which temporarily buoyed up business in the 1929 period.

The objective of a balanced economy does not, it is true, provide for the speculative profits associated with excessive stock market booms and price inflation, which make no permanent contribution to the economy. Even though the few who hope to profit from such abnormal conditions want nothing done to limit their chances for a "killing," I am convinced that most of us have far more to gain if depression losses of jobs, homes, and savings can be avoided. Our objective is to avoid such periods of unhealthy expansion and their aftermath of depression, while seeking to maintain balanced conditions at the highest level of employment and business activity that can be sustained.

In line with this objective, we in the Treasury have conducted our fiscal operations for financing the war in such a way as to minimize the postwar burden of the public debt, and to promote stability and balance in the postwar economy. (1) Interest rates on our borrowings have been kept low, averaging about 1-3/4 percent in comparison with 4-1/4 percent in the First World War. This reduction not only will save about \$4 billions in the postwar Federal budget, but will place business in a more favorable position in postwar financing costs than after the last war. (2) Our concentration on non-negotiable Series E bonds, assured against price depreciation, for sales to small investors seeks to avoid a repetition of the market instability caused by

- 5 -

frightened liquidation after the last war, and to impart to holders a sense of security which will encourage free spending of incomes for postwar goods. (3) Securities sold to commercial banks have been concentrated in short maturities, placing the banks in a very liquid position and facilitating the substantial shifts in location of deposits which are probable after the war. (4) Securities sold to corporations have consisted almost entirely of short-term or demand obligations, thus protecting postwar corporate reserves by making them readily available when needed without dislocating the Government security market. (5) Prices of marketable Government securities have been stabilized, and confidence in the general level of interest rates has been maintained, thus enabling business corporations and other investor groups to make their postwar financing plans with assurance.

The achievement of the American industrial machine during this war has brought despair to our enemies and has amazed even our allies. Not only have we accomplished the seemingly impossible in producing enormous numbers of planes and ships, and munitions of all kinds, but we have done it without serious deprivation of our civilian economy. Could that have been possible without the firm business foundation and well-balanced economy developed in the years before the war?

The objective of high employment and a high level of business activity in a balanced economy means working together for a larger pie which all can share, instead of quarreling over who shall have the largest piece, until no pie is left, as in 1932. This can be accomplished, and can only be accomplished, by all working side by side toward that goal.

Economic data for selected years, 1929 - 1943

Calendar year	National income payments	Total retail sales	Index of department store sales (1935-39=100)	Corporation compiled net profits, after taxes	Dividends paid, cash and assets other than own stocks <u>/1</u>	Surplus and undivided profits of corporations	Steel operating rate, percent of capacity
	(Millions of dollars)				(-----Millions of dollars-----)		
1929	82,857	48,459	117	10,676	8,520	60,699	88.8
1932	47,414	<u>/2</u>	75	- 4,115	3,886	45,664	19.7
1933	46,271	24,517	73	- 1,353	3,127	44,792	33.4
1934	52,916	<u>/2</u>	83	2,374	4,859	48,986	37.4
1935	58,563	32,792	88	4,688	5,941	48,828	48.7
1936	68,055	38,338	100	6,580	7,379	48,043	68.4
1937	72,351	42,150	107	6,554	7,514	58,524	72.4
1938	66,166	38,053	99	3,271	5,013	57,669	39.6
1939	70,829	42,042	106	5,946	5,747	59,149	64.5
1943	142,270	63,818	168				98.1

/1 Includes dividends paid to other corporations.

/2 Not available.

Sales and earnings for large corporations for selected years

(Millions of dollars)

:General Motors Corp.:			:General Electric Co.:			:E. I. DuPont de Nemours Co.:			:U. S. Steel Corp.:			:Total
: Net	: Net income	:	: Net	: Net	:	: Net sales and	: Net	:	: Gross	: Net	:	: net
: sales	: available for	:	: billed	: income	:	: other operating	: income	:	: sales <u>1/</u>	: income	:	: income
:	: dividends	:	: sales	:	:	: revenues	:	:	:	:	:	:
1929	1,504	248	415	67 <u>3/</u>		5/	78		1,494	198		591
1932	432	<u>2/</u>	147	14		123 <u>6/</u>	26		357	- 71		- 31
1939	1,377	183	305	41		299	93		904	41		358
1943	3,796	150	1,358	45 <u>4/</u>		613	70		1,973	63		328

1/ Gross sales and earnings (gross sales to customers plus inter-company sales plus transport company and miscellaneous gross earnings).

2/ Less than 1 million dollars.

3/ After general reserve of \$3,081,290.

4/ After general reserve of \$18,500,000 for post-war contingencies and adjustment.

5/ Not reported.

6/ Approximate.

Selected business series in 1933, by months

Series	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Income payments, unadjusted <u>/1</u>	3,919	3,426	3,435	3,559	3,621	3,865	3,999	3,731	3,994	4,363	4,076	4,283
Income payments, annual rate <u>/1</u>	43,824	43,140	42,360	42,696	44,136	45,780	46,356	47,520	49,116	49,452	49,764	51,180
Department store sales <u>/2</u>	68	67	63	72	73	73	75	82	75	76	73	77
Steel rate, per- cent of capacity	17.8	20.8	15.7	24.3	34.5	46.2	55.4	50.0	41.3	36.4	27.4	31.5

/1 Millions of dollars.

/2 Seasonally-adjusted index, 1935-39=100.

Net income in selected industries for
1929, 1932 and 1939

(Millions of dollars)

Calendar year	Manufacturing	Class I railroads	Wholesale and retail trade
1929	4,537	897	694
1932	-1,616	-139	-787
1939	2,946	95	648

Source: Manufacturing and trade figures from Statistics of Income;
railroad figures from Interstate Commerce Commission.

NEW YORK
Herald Tribune
 OCT 22 1944

81,000,000 Persons Saving \$33,687,000,000 War Bonds

Bruere Praises Patriotism of People and Cites Voluntary Investment Made in Short Period of Three Years and Five Months

By Henry Bruere

President Bowery Savings Bank and Liaison Officer Between the
 United States Treasury and the Mutual Savings Banks

No civilian effort to help win the war has matched the popular support of the war financing program. On a purely voluntary basis, with no more suasion than is customarily used in charity drives, 81,000,000 persons from May, 1941, to September, 1944, have bought and kept \$33,687,000,000, current redemption value, of war bonds. This is the brilliant accomplishment of the American people in the short period of three years and five months.

Only to measure the size of this achievement, comparison with America's leading savings programs is appropriate.

For over a century, an increasing army of agents has been educating the American public in buying life insurance. During most of the life span of the present war bonds, that is, the three years ending Dec. 31, 1943, the life insurance companies of the United States added to their reserves \$3,600,000,000, bringing their total assets to \$37,000,000,000, just \$4,000,000,000 more than E, F and G bonds sold since May, 1941, and still outstanding.

Grow as Repository

Throughout northeastern United States, where mutual savings banks have flourished for a century and a quarter and where perhaps 50 per cent of the wealth of the United States is held, there has been accumulated by small savers in the savings banks about \$12,500,000,000.

War bonds, particularly the Series E (the ten-year appreciation bonds), have in a remarkably short time become the fastest growing repository of savings in America. This accomplishment is due to the patriotism of the American people and to the energy and intelligence with which these highly superior securities have been marketed.

War bonds have two unusual characteristics which distinguish them from all other types of security: (1) they are not transferable and (2) they may be redeemed on demand at any time up and including maturity, beginning sixty days after issue.

Interest Rate Is Factor

Because they are not transferable they are essentially individual term savings. Because they are redeemable at will the term of the investment up to the ten-year maximum is entirely optional with the buyer of the bond.

To induce him to hold his bonds several strong incentives are given to the buyer. First, there is the exceptional rate of interest for government issues, which on E bonds rises from 0.67 per cent on bonds cashed at the end of one year to 2.90 per cent if held for ten years. Second, there is the individual buyer's sense of responsibility to help his country, which is a powerful factor in this war, especially when virtually every family has its young men in foreign lands fighting under the Stars and Stripes. Third, there is the knowledge that investment in war bonds is without risk because the credit of the United States will be kept inviolate. Fourth, and this is what we need at this time to reflect upon, is the fact that the bond buyer can get his money back at any time he wishes, although, indeed, he is asked to lend it to his country for a ten-year term.

In providing that war-bond buyers could get their money back at any time the Treasury took leaves from the experience books of savings banks and life-insurance companies.

When you buy a life-insurance policy you know you will have a cash-surrender value after a short period. This value has been one of the most important aids in selling life insurance, because it encourages the insured to buy the greatest amount of protection that his reasonable expectations of income permit.

When you open a savings account you know that you can get your money when you need it. That is a chief reason for having such an account.

There is no secret formula for making masses of free men and women do what their common sense and their natural loyalties do not prompt them to do. Therefore, the Treasury has refused to join in the demand for a compulsory saving system. It has insisted that sound selling of war bonds must be made to willing buyers, aroused to action and thoughtfulness by advertising and personal persuasion, but not compelled. It promises that bonds that cannot be kept will be redeemed. To make that promise good it has recently authorized the banks of the country to cash bonds offered for redemption at stipulated values after proper identification of the owner of the bond.

Now with this broadening of redemption facilities, will there be a rush for redemptions? In some places, immediately after the new procedure was established, there were lines of persons in and outside banks asking for their money back. Perhaps there had been postponement of normal redemptions in these places until the promised new facilities actually were in operation. Perhaps there was local unemployment. We have no accurate explanation of these crowds at particular places. But we do not believe the demand will spread or continue if the public maintains the same responsible attitude towards its part in financing the war in which its young men are so brilliantly and heroically fighting as it has shown in the past.

Let us look at the facts for a moment, so that we shall not exaggerate what is taking place and therefore cause hurtful uneasiness. It may be good to simplify the record a bit without distorting it, so that we can more easily remember the essential facts as compiled by the Treasury. Let us take the little bond, the E bond, which is bought by the person of smaller means and therefore is the more likely to be cashed in. From May, 1941, to Sept. 30, 1944, sale of E bonds (the "people's bond") amounted to \$26,800,000,000 (true price plus increments). In that same period \$3,500,000,000 were redeemed, representing 13 per cent of sales made. Therefore, you see, about 87 per cent of sales have stuck as true investments. That is a good record, and it may be improved as the public comes more to regard the holdings of war bonds as a pledge of support to its fighting forces as well as a good investment.

We should not expect to see the volume outstanding increase without an increase in the amount of

redemptions. Remember, these bonds are bought by individuals who cannot plan their future with precision and who must and will meet human emergencies out of resources available to them. The more of these bonds we buy the more we shall have to regard them as our emergency reserves because we shall have less of other reserves available, or indeed none at all.

The experience of savings banks is that as many as 25 per cent of those persons who open savings accounts close them within a year after opening. One half of these hope-to-be savers close their accounts within four years. Nevertheless, the amount of money in savings banks increases steadily although large sums are withdrawn by some savers at the same time as new deposits are made by others, which is natural and due to the very purposes for which savings are undertaken.

Deposits Exceed Withdrawals

Here is a single comparison between the conduct of savings deposits and war bond buyers: In the first nine months of 1944 15 per cent of the total deposits in New York State savings banks were withdrawn, but current deposits exceeded current withdrawals by 56 per cent. In the same months sales of E bonds exceeded redemptions (withdrawals) by 369 per cent and the amount redeemed amounted to only 8 per cent of the total outstanding. There is nothing to be alarmed about here; up to now at all events. But, of course, the amount of redemptions will increase in proportion to current sales as the total outstanding volume increases. It may indeed increase even in proportion to current sales, if we lose our jobs, or have pressing need of these savings, especially at income tax payment dates.

Those who look at the whole picture and are in a position to give advice, such as all bankers, most employers and labor leaders, should remind war-bond buyers that they are the main prop in the whole war financial structure because they give the widest base to the great financial strong point which we must build and keep intact to win the war.

Some Lock Money Up

Bond buyers have helped themselves avoid silly and irresponsible spending by locking up money invested in far bonds for ten years. That is fine, constructive and patriotic. They have grasped for themselves and their dependents this most favored opportunity for investment in which they get a

NEW YORK
Herald Tribune
OCT 22 1944

rate of return of almost 1 percent more for a ten-year lending than the government pays in the open market when it sells regular treasury bonds for that term in \$1,000 to \$1,000,000 denominations.

We have in buying E bonds sent word to every soldier and sailor that we stand behind him to supply the implements without which he cannot fight nor win.

Based on all the foregoing, isn't it right to conclude that instead of taking a cynical, critical or carping attitude when we hear that war bonds are being redeemed we remember that a certain amount of redemptions is inevitable and that it actually stimulates sales to have redemption made easy? Let us remember that we are creditors of Uncle Sam and when we redeem a bond we call his note and say, "Give me my money back, no matter how much our fighting men need it—it's not my business to finance this war."

NOT TO BE TRANSMITTEDCOPY NO. 11SECRETPERSONNELOPTEL 343

Information received up to 10 A.M. 22nd Oct. '44.

1. NAVAL

Aegean. On 18th/19th our Naval Forces sank the torpedo boat SOLFERINO off the Sporades; this was the last heavy escorting vessel remaining to the enemy in the Aegean.

2. MILITARY

Western Europe. 21st. Aachen garrison has surrendered to the First U.S. Army. North of Antwerp 49th U.K. and 4th Canadian Armoured Divisions of First Canadian Army made good progress Northwards against moderate resistance. 2nd Canadian Corps also made further progress towards Breskens.

Italy Some progress astride Adriatic Coastal road and in the Cesena Area; a bridgehead over the Savio has been established and reinforced. Some progress also towards Forlì.

Balkans Russians have reached points 12 miles East of Satul Mare; 20 miles North East of Debrecen; 30 miles North of Szeged; the Danube West of Szeged and 30 miles South of Lapovo.

Finland The Finns have reached Sodankyla and have made further progress North West of Rovaniemi.

3. AIR OPERATIONS

Western Front. 21st. 75 escorted Lancasters - 1 missing dropped 447 tons on Coastal defences flushing in good visibility. 1,194 Fighters and Fighter Bombers - 6 missing operated over Holland and North West Germany; Railway lines cut in 69 places and 209 units rolling stock destroyed or damaged. German casualties 23:2:4.

Coastal Command aircraft attacked shipping at Haugesund, South West Norway; two medium ships set on fire.

Mediterranean. 20th 870 aircraft - 1 missing attacked railways etc. in the Italian battle area; 23 bridges successfully attacked and 189 railway and other vehicles destroyed or damaged.

4. HOME SECURITY

21st/22nd. Seven flying bombs plotted of which six crossed Coast and three reached London.

approx 10-23-44

A wonderful speech.

Especially the concluding couple of pages -

This is the kind of thing the people are waiting to hear, I think. It combines Forcefulness and a liberal outlook (which will please labor) with enough moderation to satisfy the small business man -

All in all, with a couple of minor changes - I think it's swell!

(Joan Morganthau).

Morgenthau

from A. H. S.

174

MEMORANDUM for: MR. JAMES

Will you be good enough to ask Ray Daniell to see General Eisenhower, if possible, and ask him whether the publication of Morgenthau's plan for dealing with Germany had any effect upon the fighting spirit of the Germans and resulted in the loss of American life. Personally, I don't believe it did but I understand Dewey has claimed it. Naturally, if Eisenhower would make a statement about it, it would help my friend Henry to sleep better. Even if he won't say it for publication, it would be fine if he would let us have a private report which I could pass on to Mr. Morgenthau.

A.H.S.

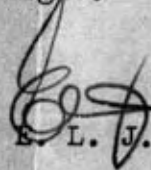
October 23, 1944

175

MEMORANDUM for Mr. Sulzberger

from E. L. JAMES

I asked Daniell about the Morgenthau plan.
I noticed this in the World-Telegram tonight.


E. L. J.

October 24, 1944.
HA

New York World

Copyright, 1944, by New York World-Telegram

Local Forecast: Tonight occasional light showers and

VOL. 77—NO. 97—IN TWO SECTIONS—SECTION ONE.

NEW YORK, TU

EW PHILIPP

Quit Goading Nazis, British Sto GIs Tell Home Folk Into Key D Transport

By ROBERT W. RICHARDS,
United Press War Correspondent.

WITH THE U. S. 26TH DIVISION BEYOND ATHIENVILLE, France, Oct. 23 (Delayed).—The home-front talk about stern treatment for a defeated Germany has inspired fanatical, bitter-end resistance among German front-line troops, in this sector at least, and the GIs are a little bitter about it.

Sometimes the American dough-boys who are fighting and dying in the constant mud this side of the Moselle wish people back home would quit announcing what they think must be done with Germany. Some soldiers with whom I spoke today think it might be better to win the war first.

These boys said that every time someone at home advocates extra drastic measures for postwar Germany the German newspapers grab the stories and exploit them to the full. Consequently many German soldiers who were in a mood to surrender change their minds and fight to the bitter end.

Captives Ask About It.

German prisoners who filed into the American lines during the last three days bore out that impression. The Nazi captives spoke chiefly of three things which, they said, were making their comrades continue the dogged fight:

Propaganda Minister Joseph

(Continued on

Goebbels had told them the U. S. Army had withdrawn from circulation 60,000 American-German phrase books because it considered the selected phrases "too friendly." Goebbels merely printed a clipping—presumably from an American newspaper—reporting the alleged withdrawal of the phrase books, with the simple notation: "See, this is what the Americans think. They want to hate you and they want you to hate them."

The Morgenthau Plan.

Treasury Secretary Henry Morgenthau's plan for Germany, which, as we get it, broadly advocates reducing the Reich to an agricultural country, also is getting under the skins of the front line German troops. Many captives voluntarily ask the Americans for a fuller explanation of Mr. Morgenthau's plan.

Battle for Esc.
Junction of N
At's Hertoge

BULLETIN.

By the United Press.

WITH BRITISH FO
HOLLAND, Oct. 24.—
ish 2nd Army opene
attack 12 miles south
togenbosch this aftern

By J. EDWARD MU
United Press War Cor
SUPREME HQ. AEI
Oct. 24.—British assa
stormed into the key D
port center of 's Hert
today and Berlin repo
American reinforcements
moved up to the Aachen

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Read by Mr. Gaston and Dr. White
and ret'd as per Secy's instructions.

THE NEW ORLEANS ITEM

October 23, 1944.

CLAYTON FRITCHEY
EXECUTIVE EDITOR

Dear Mr. Morgenthau;

Even though our visit was such a short one, I enjoyed very much seeing you again and getting all the news.

Speaking of public reaction to your position on post-war Germany, you might be interested in seeing a letter that appeared on the Item editorial page. I am enclosing it.

During the ride to the airport you may recall my saying that I had worked out a formula for adjusting the Gallup Poll, in order to anticipate the probable Electoral College vote. Without exception Gallup has been from three to six percent off on his presidential elections, and this error has invariably swollen the Republican total. I think it is absolutely safe this year to assume that Gallup will be at least two percent wrong on the Democrats in every state. I have just taken his last state-by-state poll and added two percent to the Democratic total in each state, with the following result:

Roosevelt - 34 States - 375 Electoral votes.

On November 8 you can check up and see how good a prophet I am.

I hope Mrs. Morgenthau is much better and that you will have an opportunity of coming back for a longer visit before very long.

With best wishes,

Most sincerely yours,

C
F
;
J

Clayton

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

*Let Gaston & White
read & return*

Minji

Letters From Item Readers

(Please be brief. Sign your name. A pseudonym will be used if you wish.)

Rob: We'd be glad to print your letter, and make some comment (whether or not this would be an "answer" is a matter of definition) if you had signed it. But while we frequently use only initials or a pseudonym in the published version of a communication, this is only when the original bears the full signature identifying the writer.

Miss M. W.: If you can prove what you say about the SPCA, your communication should have gone to the District Attorney, so that the organization can be prosecuted; if you can't prove it, you'd simply be putting us on the spot if we printed it...and we don't believe "every one in New Orleans" knows—or even thinks—what you say is correct.

—The Editors.

What Of Army-Navy Relief Funds?

There seems to be quite a controversy over "Service Man's Wife's" medical service by some of your readers.

The statement sent to you by someone signing himself "Senior" has or says in part, Service Man's Wife was told that since her husband was not present in this city she was not entitled for her or her baby, to military medical service.

That is not the understanding I had with the officers who explained Army and or Army and Navy emergency relief to me at camp.

Evidently "Service Man's Wife" did not apply to the right persons or the Army personnel who advised her so did not know or didn't want to take the pains to help her to do the aid to which she is entitled. I and almost all members of the armed forces contribute regularly to the Army and Navy Emergency Relief Fund and if the case of "Service Man's Wife" is true, I shall certainly stop my meager contributions.

I would appreciate your checking my understanding of the Army and Navy Relief Ass'n.

PVT. EDWARD D. WERNICH.
Lafayette, Louisiana.

To Critics Of Service Men

While waiting in a crowded doctor's office the other day I could not help but hear a conversation by two men.

All I can feel toward men like them is "pity" to think they have no more respect for the men who are fighting to keep this country free so they can carry on just such a conversation.

I didn't hear the beginning of the conversation, but when one made the remark that the only thing the servicemen here were fighting was a bottle of whisky or beer. Of course they also exchanged a few shady stories about servicemen they had heard of.

One of the men had his hand bandaged and he bragged he got it in a fight. Of course both men were too old to be in service, but I wonder otherwise how much they are doing to win this war. I bet neither of them knows what it is like to have your home broken up, to have men out of your family in different parts of the world fighting, and not a street fight either.

I wonder what would become of our country if all of us had this nice feeling toward our servicemen.

Of course I presume it never entered those

men's minds that the servicemen are just civilians in uniform to help them as much as anyone else.

Thank God there are only a few like those two.

MRS. G. I. JOE.

"Criminals Should Be Punished"

To editor of "Calling Mr. Morgenthau:" When giving our opinions of what should be done to the Germans as a nation we should look at it from a historical standpoint and ask ourselves who has started the most wars in Europe. You will find that the Huns or Germans have started practically all of them—even before Julius Caesar and Jesus were born.

The Germans are criminals as a nation. Do you not punish criminals? No, we give them great rewards for taking other people's property and committing murder and raping. Then why not reward the German nation? You know none of the Army camps or armor cost us anything—it's all free. Our men and boys in the service are just on a vacation. None of them is getting killed or wounded. Either, it's all just fun to have a war every 25 years.

What has the nation of Germans as a whole since 1920 contributed to industry besides war armor and implements for death and destruction? We have gotten along nicely up to now without the Germans' help. Is that not proof you are wrong when you say we need German industry?

W. H. McDEVITT.

Skullcracker

I live in New Orleans now, but still get my home paper, and I see there where they ask this one: "If a dozen eggs cost 15 cents, how many can you buy for a cent and a quarter?" And they give the answer as 20. I don't get it. Maybe some of your other readers will. I would really like to know.

MICHIGANDER.

We make it twenty and four-fifths eggs, but suppose that in Michigan it is difficult to buy four-fifths of an egg. Anyway, Math never was our forte.

King Solomon And King Skelly

I wonder if Mr. Skelly could be induced to lend me 43 of his 63 inspectors for one day to inspect the 5800 block of S. Johnson St. I think if he would that at least 34 of the 43 would agree with me that the block needs black-topping badly.

And while on the subject of inspectors, Mr. Skelly is to be congratulated: Solomon, in all his glory, never had that many inspectors at one time in the entire 40 years of his reign.

DR. E. A. JURGELWICZ.

Our Lone Star Ally

I see where U. S., Britain, Russia and China were represented at the Dumbarton Oaks clambake. But what about Texas? All the Texans assure me not only that they are our allies, but that they're winning the war for us. Won't they demand a voice in postwar security?

LAKE CHARLES.

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Prepared by: Mr. Deggitt
Mr. Chevreux

Reviewed by: Mr. Murphy
Miss Michener

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL
DATE Oct. 23, 1944

TO Secretary Morgenthau
FROM Mr. Murphy *HM*
Subject: The Business Situation,
Week ending October 21, 1944.

Summary

Reconversion: The interim program for limited civilian goods production has shown some signs of improvement recently, with applications of manufacturers for production under the spot authorization order approximating 500 weekly. As of October 1, 2,562 applications had been filed and 441 approvals granted, with the latter figure rising to about 750 by midmonth. Thus far, however, production under the program has been confined largely to small household articles and other items of relatively minor importance in the general economy.

Employment: Due largely to a decrease in employment in munitions industries and the return of students to school, total nonagricultural employment declined in September and was about 1,100,000 less than a year earlier. However, unemployment dropped to a new low during the month. Some war industries are still suffering from manpower shortages, although WMC officials report an improvement in the over-all manpower situation.

Prices: The relaxation of many WPB orders upon the defeat of Germany is likely to weaken the OPA price control machinery to some extent. Discussions concerning the coordination of policies between the two agencies are now in progress. During the past week commodity prices have shown little net change, with the Dow-Jones futures index and the BLS spot index of 28 basic commodities moving a trifle higher.

Stock market: Stock prices have moved in a very narrow range recently, with the Dow-Jones average of 65 stocks at the close on Saturday virtually unchanged from levels of 2 weeks earlier. Second grade railroad bonds, however, have risen steadily in recent weeks, and now stand at the highest level since 1937.

Progress of interim reconversion program

The prospect of a more prolonged German resistance has stimulated somewhat greater interest in the WPB's spot authorization program for civilian goods production. Shortly after the program was announced in mid-August, hopes for an early end of the war in Europe increased rapidly, and in this atmosphere many business men were disinclined to embark on stop-gap reconversion measures. However, this attitude appears to be changing and applications for production under the spot authorization order are now being made at a rate of about 500 per week. Up to the beginning of this month 2,562 applications had been filed, of which 441 were approved. By mid-October the number of approvals had been increased to more than 750.

Considerable regional variation was shown in approvals for production under the program up to October, with the Dallas WPB regional office, for example, reporting 63 clearances in contrast to only 10 in the Detroit area and 7 in the Seattle area. The effectiveness of the program in facilitating the shift to peacetime production will be determined by the kind as well as the quantity of goods produced. Thus far many small finished goods, such as kitchen utensils and other household articles, have figured prominently in the items approved. While their production will serve to alleviate civilian inconveniences and help to cushion the effects of war contract cut-backs, the scope of the program will have to broaden considerably before it becomes a major factor in the economy.

Reconversion time-table for automobiles

In view of the great importance of the automobile industry, considerable interest has been shown in estimates of the time needed to reconvert the industry to peacetime production. The Automotive Council for War Production last week published an estimated time-table for automobile reconversion, which envisages a greater time interval than most automobile executives have previously indicated. The Automotive Council divides the reconversion program into 3 periods, as follows: (1) Preconversion: During this period, covering an estimated 6 months, tools and materials will be ordered, and engineering and testing begun. (2) Reconversion: This period is expected to cover at least 3 months, during which plants will be cleared of Government-owned equipment, and automotive production equipment installed. (3) Production: Assembly of passenger cars would start in this period, with 3 months required to reach the partial production program now contemplated. Under the foregoing schedule, about 9 months would elapse before assembly of the first passenger car is started, and approximately 1 year would be required to attain limited volume production.

However, it would seem that some of the work contemplated in the first and second periods could be carried out more or less simultaneously, thus shortening the total time interval. It will be recalled that Chairman Sloan of General Motors recently stated that reconversion would require about 6 months if started at once and a shorter time if started after January 1. The Ford Motor Company announced post-war plans last week, and while nothing was said about the length of the reconversion period, it was indicated that the company plans to spend more than \$150 millions on reconversion and expansion.

Some war production hampered by labor shortages

In the face of prevailing concern over reconversion problems, WPB officials still find it necessary to make appeals to speed up certain war production programs. Within the past few days Messrs. Krug and Batcheller of the WPB asserted that, while only about 10 percent of the whole program is lagging, shortages of heavy trucks and tires threaten to delay V-Day in Europe. In addition to the items mentioned, they also reported shortages in big shells, bombs, batteries and one type of tank. Moreover, in connection with the war in the Pacific, the No. 1 priority merchant vessel now under construction is so far behind schedule as to give rise to serious concern, according to press statements quoting prominent authorities. While other factors have contributed, the dominant factor in the production lags has been the man-power shortage.

At the beginning of October the WMC added 3 areas in Ohio and 1 in Utah to the acute labor shortage classification, and dropped only 2, thus raising the number of acute labor shortage areas to 70. Nevertheless, WMC officials last week were reported as viewing the general manpower situation with greater optimism. Among other factors has been a reduction in labor turnover, with the quit rate in manufacturing industries showing a noticeable decline in the last 2 months.

Due largely to the return of students to school and a further decline in employment in munitions industries (chiefly due to cutbacks in aircraft and shipbuilding) total nonagricultural employment decreased in September and was about 1,100,000 less than a year earlier. However, the armed services increased by about 2 millions since a year ago, and unemployment dropped to a new low during September.

Stock prices move in narrow range

After rising in the early part of the month, stock prices in the past 2 weeks have moved within a narrow range in rather dull trading. (See Chart 1.) At the close on Saturday the Dow-Jones average of 65 stocks was virtually unchanged from the level of 2 weeks earlier, with small gains in railroad and utility stocks offsetting a fractional decline in industrial

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stocks. Second grade railroad bonds have risen steadily in recent weeks and have been an outstanding feature of the securities markets, probably in reflection of diminished expectations of imminent peace in Europe. Reference to Chart 2 will disclose that the Dow-Jones average of second grade railroad bonds now stands at the highest level since 1937. It will be noted that railroad and industrial stocks also have more than recovered the ground lost in the early part of September, but the gains have not been as great as in second grade railroad bonds.

Commodity prices show little change

Commodity prices showed little net change last week. The Dow-Jones futures index made a small advance following a decline in the previous week, but Moody's spot index was slightly lower. (See Chart 3.) Meanwhile, the BLS index of 28 basic commodities moved a trifle higher due to a moderate rise in steer prices.

The easing tendency in cotton prices which has followed the sharp rise on news of the parity purchase program near the end of September, continued last week. Grain prices, however, made small to moderate advances, with rye particularly strong. Heavy flour buying by the Government helped support wheat prices, while expectations of a substantial distiller demand for rye for the anticipated liquor-making holiday in December tended to raise rye prices.

The CCC held discussions with industry advisory committees last week concerning the method of operation of the wheat and cotton export subsidy programs. While the details of the programs are still to be worked out, press reports indicated that agreement had been reached on the general principles. Under these programs the CCC will absorb the losses entailed by the difference between the world prices for wheat and cotton and the domestic prices.

In the week ended October 14 the BLS general index of wholesale prices declined 0.1 percent following slight increases in the three previous weeks. (See Chart 4.) Seasonally lower prices for fruits and vegetables, together with a decline in the grain markets, was responsible for the decline in the index. At 103.8 percent of the 1926 average, the index is 0.9 percent higher than a year ago and is 38.4 percent above the pre-war August 1939 average.

Relaxation of WPB orders may weaken OPA price control

The relaxation and elimination of a major part of the WPB orders following the defeat of Germany will tend to weaken the OPA's ability to control prices in the reconversion period, chiefly

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through releasing limitations on demand. During the war the WPB has implemented the OPA's price control machinery in several ways, including: (1) restricting the demand through limitation orders and inventory controls, (2) reducing the number and variety of various manufactured items by setting standards and specifications, (3) directing the production of many items of apparel within the low to medium price ranges, and (4) increasing the output of copper, lead, zinc, and other minerals by the use of subsidies for high cost production.

Officials of the WPB and the OPA are reportedly discussing the probable effects of the elimination of various WPB orders, and committees have been appointed to study specific commodity fields and regulations. It is likely that some of the WPB orders which strengthened price control will be continued, particularly those applying to the production of lower-priced clothing.

Hog slaughter lowest in more than 2 years

Hog slaughter in recent months has fallen below that of last year, following the record levels attained earlier this year. In September federally-inspected slaughter was at the lowest level in 25 months, dropping 15 percent below August and about the same percent below September a year ago. (See Chart 5, lower section).

While hog slaughter has increased somewhat from the low point reached in the week ended September 9 and will continue to expand seasonally during the next few months, it is expected to fall substantially below that of last year. The 1944 spring pig crop, now beginning to be marketed, was 24 percent smaller than the 1943 crop.

Hog prices, after hovering around the support levels for several months, rose sharply to ceiling levels near the end of July and have remained there ever since. (See Chart 5, upper section).

The WFA has been making relatively small purchases during the past four months, except for some large purchases of canned pork around the middle of August. (See Chart 5, lower section). Present plans call for very large Government purchases during the next few months, which will largely offset the seasonal increases in production, and keep civilian supplies rather small. Cold storage holdings have been reduced considerably in recent months and are now slightly below those of a year ago.

Slaughter of cattle and calves in September, on the other hand, were 14 and 42 percent, respectively, above last year's levels. A large portion was of grass-fed cattle. Thus while

prime fed steers have been selling at peak prices in recent months, prices of grassers have shown an easing tendency. The armed forces will continue to take a large proportion of the higher quality beef in the next few months.

Hurricane damages Florida citrus crop

While it is too early to assess the damage to the prospective record Florida citrus crop caused by the hurricane last week, trade estimates of the losses range from 20 to 40 percent. The Department of Agriculture is making a survey, and their estimate of the damage should be available soon. Opinions differ as to the effect of the hurricane on the Cuban sugar crop. While one estimate indicated a loss in the province of Havana of as much as 200,000 tons, or about 4 percent of the prospective Cuban crop, other estimates indicate that the accompanying beneficial rain may actually have increased the total crop.

Materials supplies improve

In reflection of the general easing in materials supplies, the WPB recently issued its fourteenth and final issue of the Material Substitutions and Supply List. At that time 42 materials were removed from Group I, which includes materials of which the supply is insufficient for war and essential industry demands. On the other hand, 17 materials were added to Group I, including small and medium castings, wire rope, paper, soft coal and some chemicals. Moreover, it was indicated that some materials are expected to be in short supply after the end of the war in Europe. A partial list of these anticipated scarce materials includes: tin, sisal, cattle hides, kapok, manila, anthracite coal, kraft container-board, paper and products, pyrethrum, natural rubber and cotton broad woven fabrics.

The Conservation Division of the WPB, which has had primary responsibility for compiling the Materials Substitution and Supply List, is being abolished as of November 2, since it is felt that the declining amount of conservation work remaining to be done can be handled by other WPB divisions. However, it has been made clear that conservation and salvaging of paper, tin cans and rags is still necessary, and civilian organizations have been asked to intensify rather than relax their efforts along these lines.

Premium prices for metals under discussion

The WPB recently held discussions with the copper, lead and zinc industry advisory committees covering a reconversion program involving a reconsideration of the premium price plan for copper, lead and zinc, and of foreign purchases and subsidies. In regard to the outlook for copper, the view is expressed that after the

end of the war in Europe a surplus of copper would result if present subsidy rates are continued. It is doubtful, however, if the subsidy could be eliminated entirely without resulting in inadequate supplies of copper for civilian use.

Department store sales rise

Stimulated by the October 16 deadline on shipments of Christmas packages to Army personnel overseas, department store sales in the week ended October 14 rose to the highest level since last December and were 16 percent above the corresponding week in 1943. (See Chart 6.) A gain over year-earlier levels of the same proportions was shown in the week ended October 7, which compares with a cumulative increase of 9 percent in the year's sales to date.

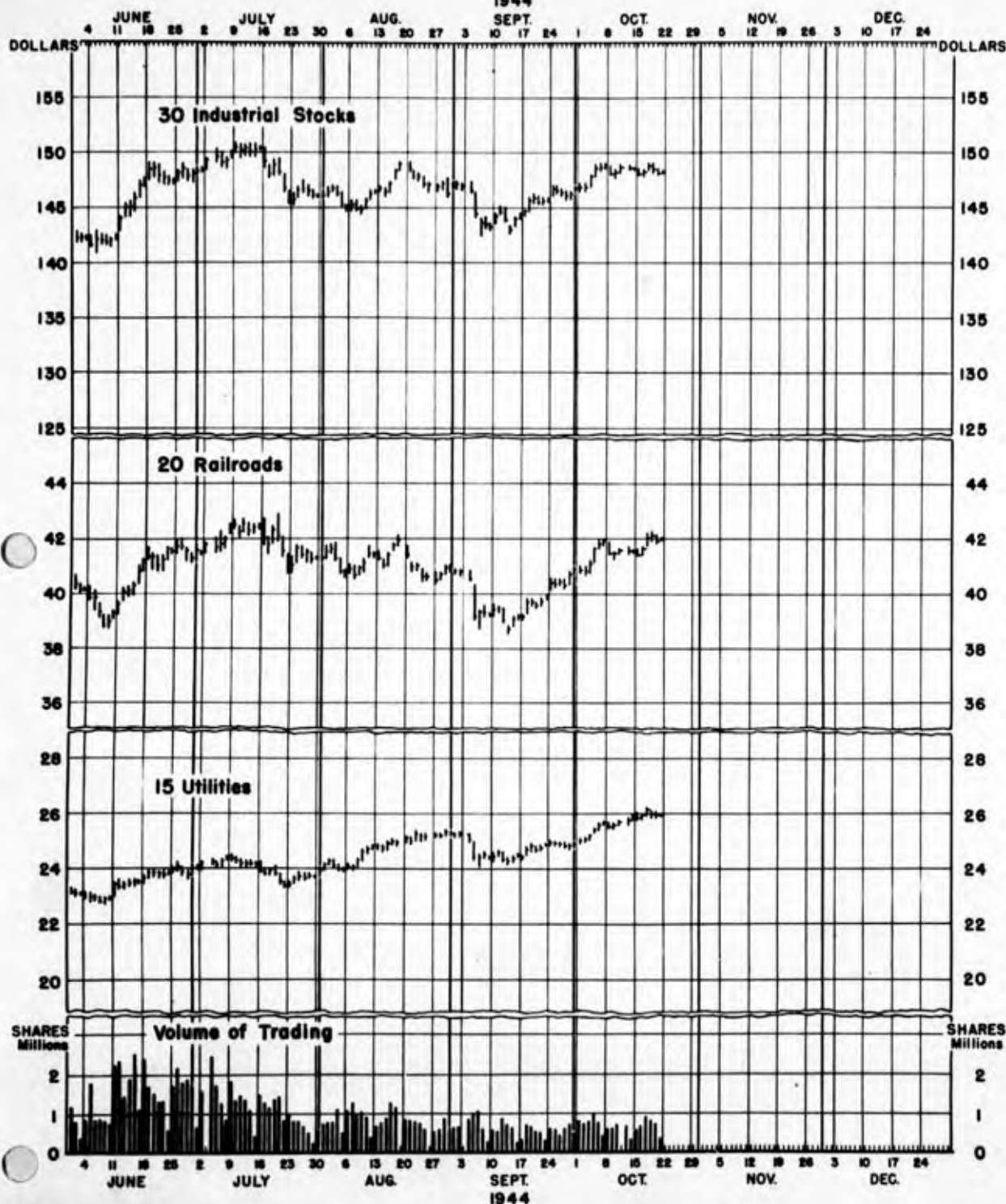
Despite the passage of the peak in gift buying for overseas shipment, preliminary reports from the New York City area indicate that department store sales showed a further gain over year-earlier levels last week.

In connection with the index of department store sales shown in Chart 6, it should be noted that the Federal Reserve Board recently revised the series to comprise a larger number of reporting stores in recent years, and to adjust the figures to conform to the more comprehensive monthly index. As now computed, the weekly index is made up of reports from 451 large and medium-sized department stores, including a selected group of retail outlets of mail order firms.

STOCK PRICES, DOW-JONES AVERAGES

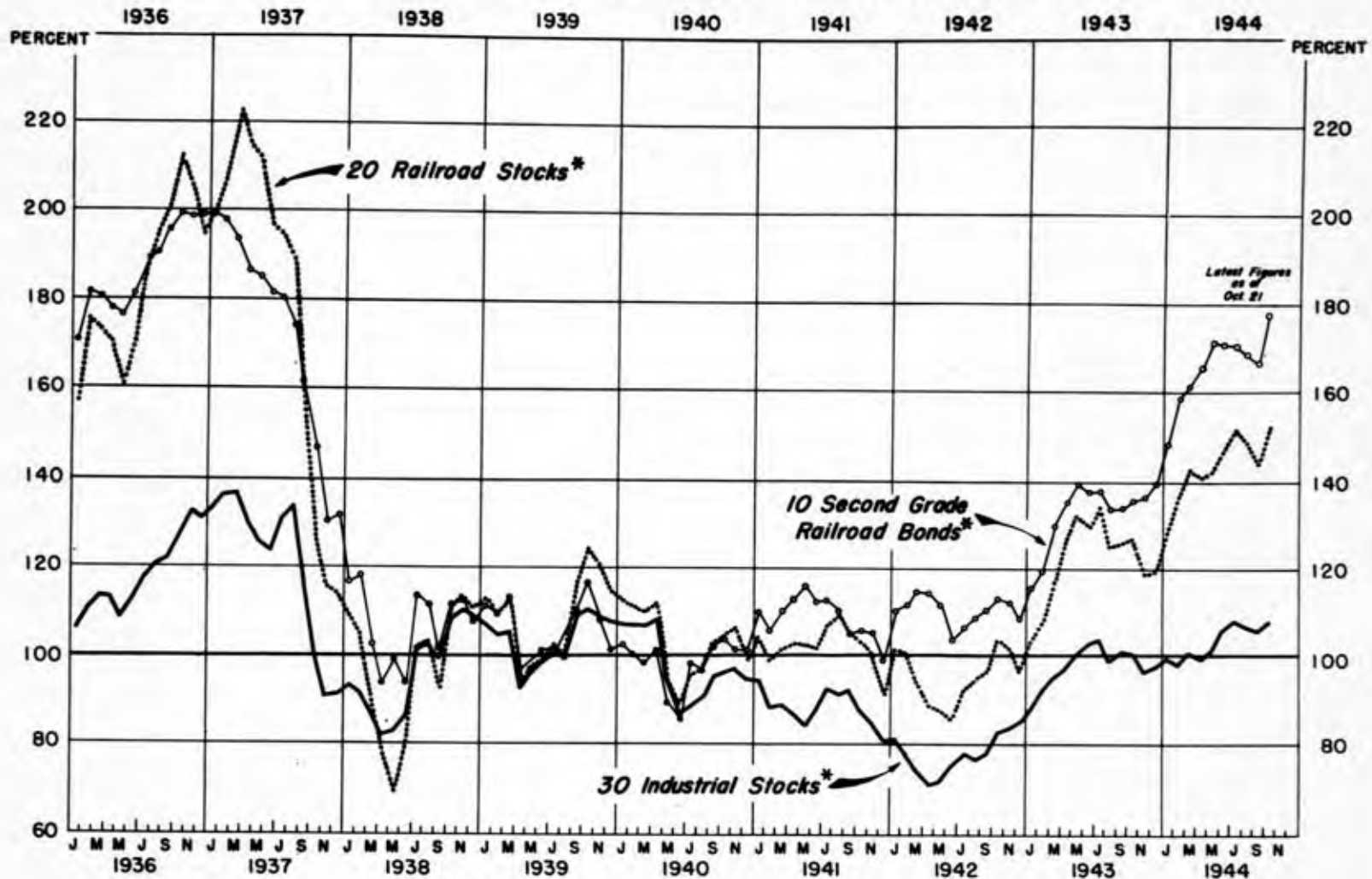
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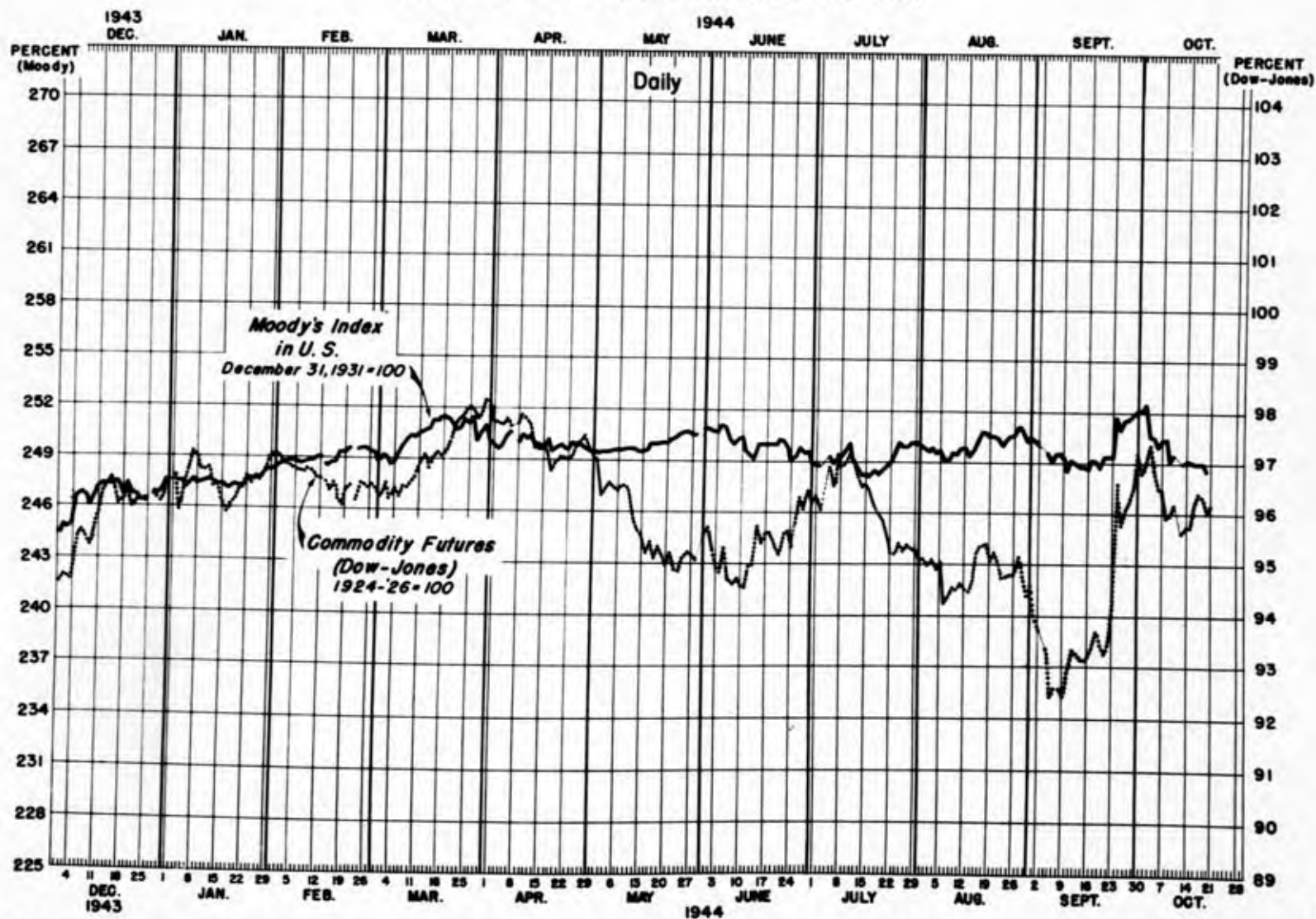
SECURITY PRICES

Selected Railroad and Industrial Indexes, August 1939=100



*Dow-Jones averages converted to August 1939 base.

COMMODITY PRICE INDEXES IN U.S.



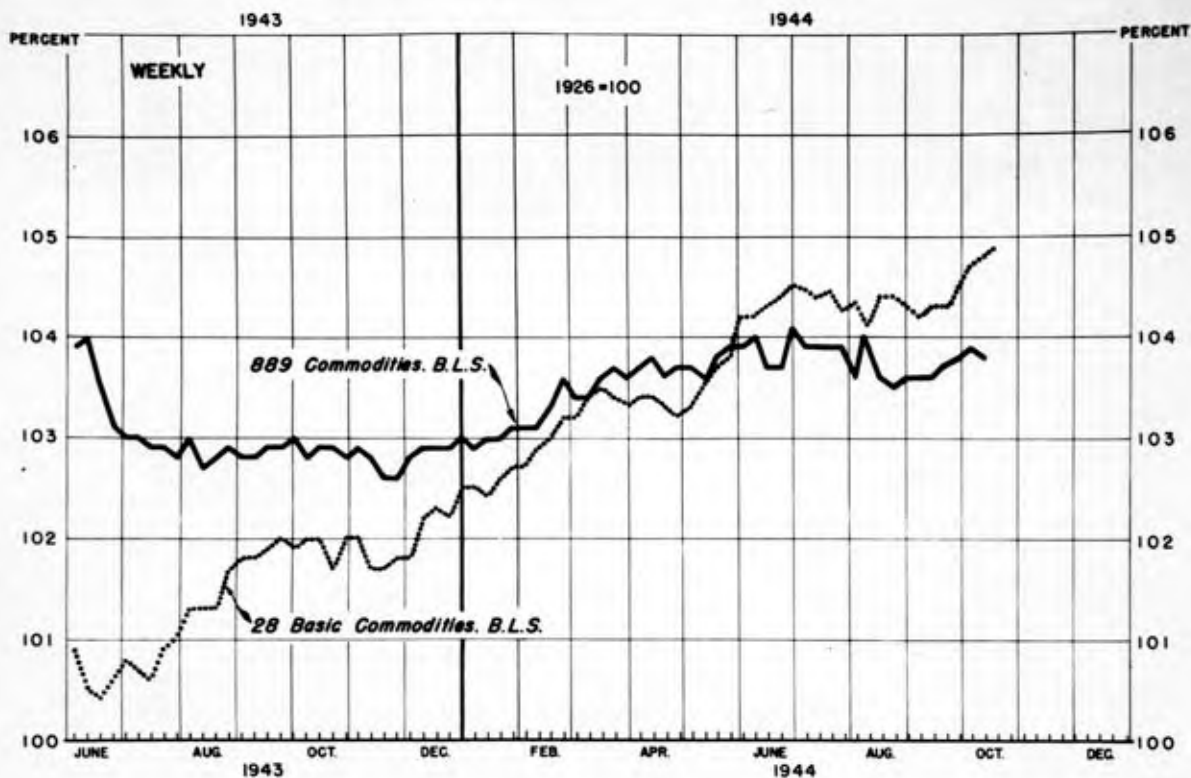
Office of the Secretary of the Treasury
Division of Research and Statistics

Chart 3
130

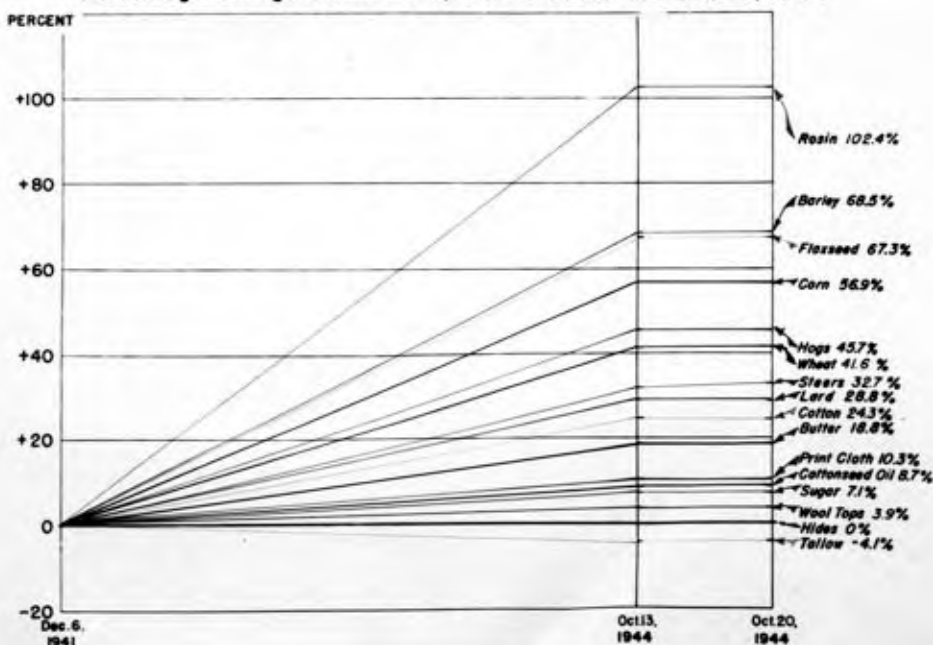
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WHOLESALE COMMODITY PRICES

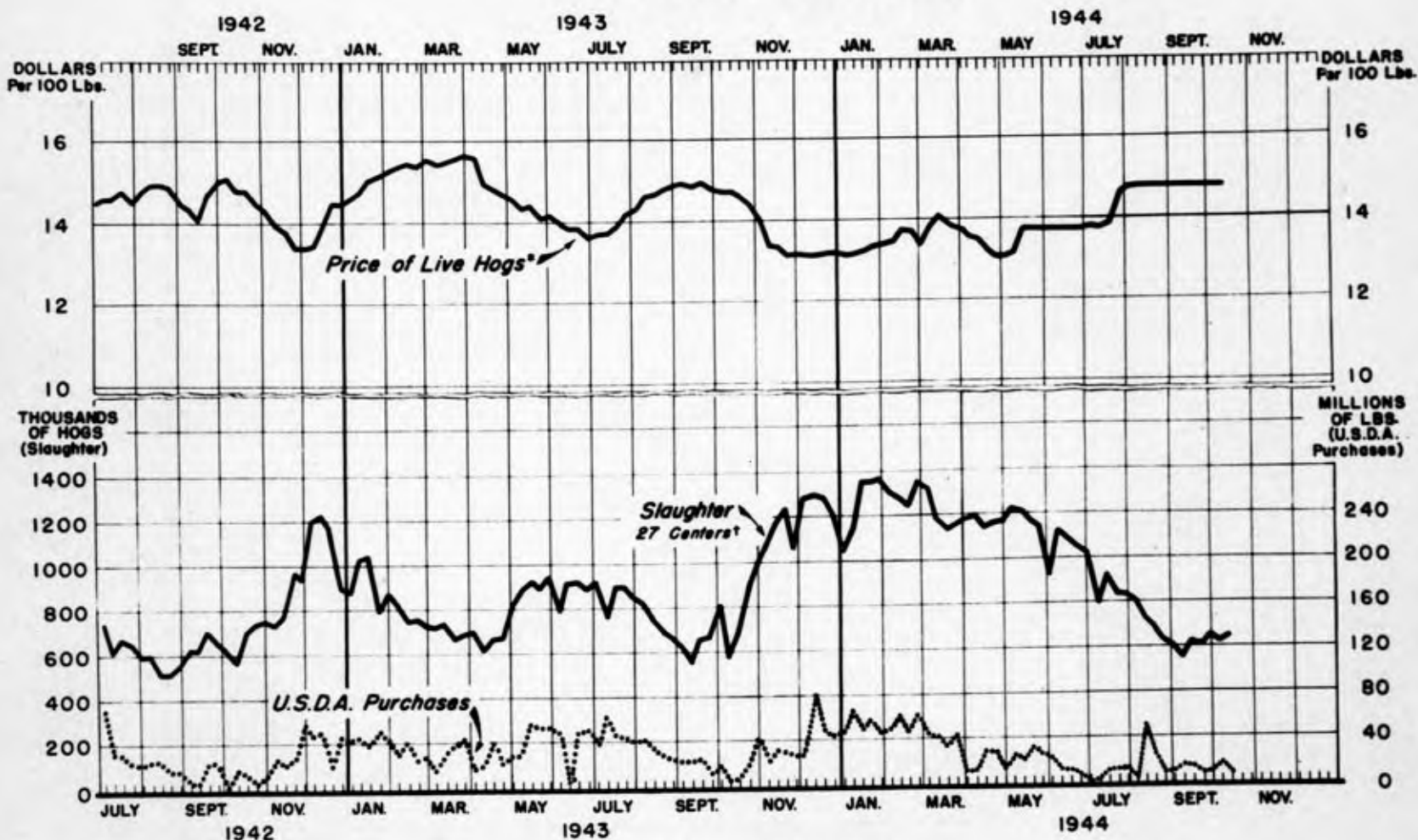


SELECTED BASIC COMMODITIES Percentage Change December 6, 1941 to Oct 13 and Oct. 20, 1944



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



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

Office of the Secretary of the Treasury
 Division of Research and Statistics

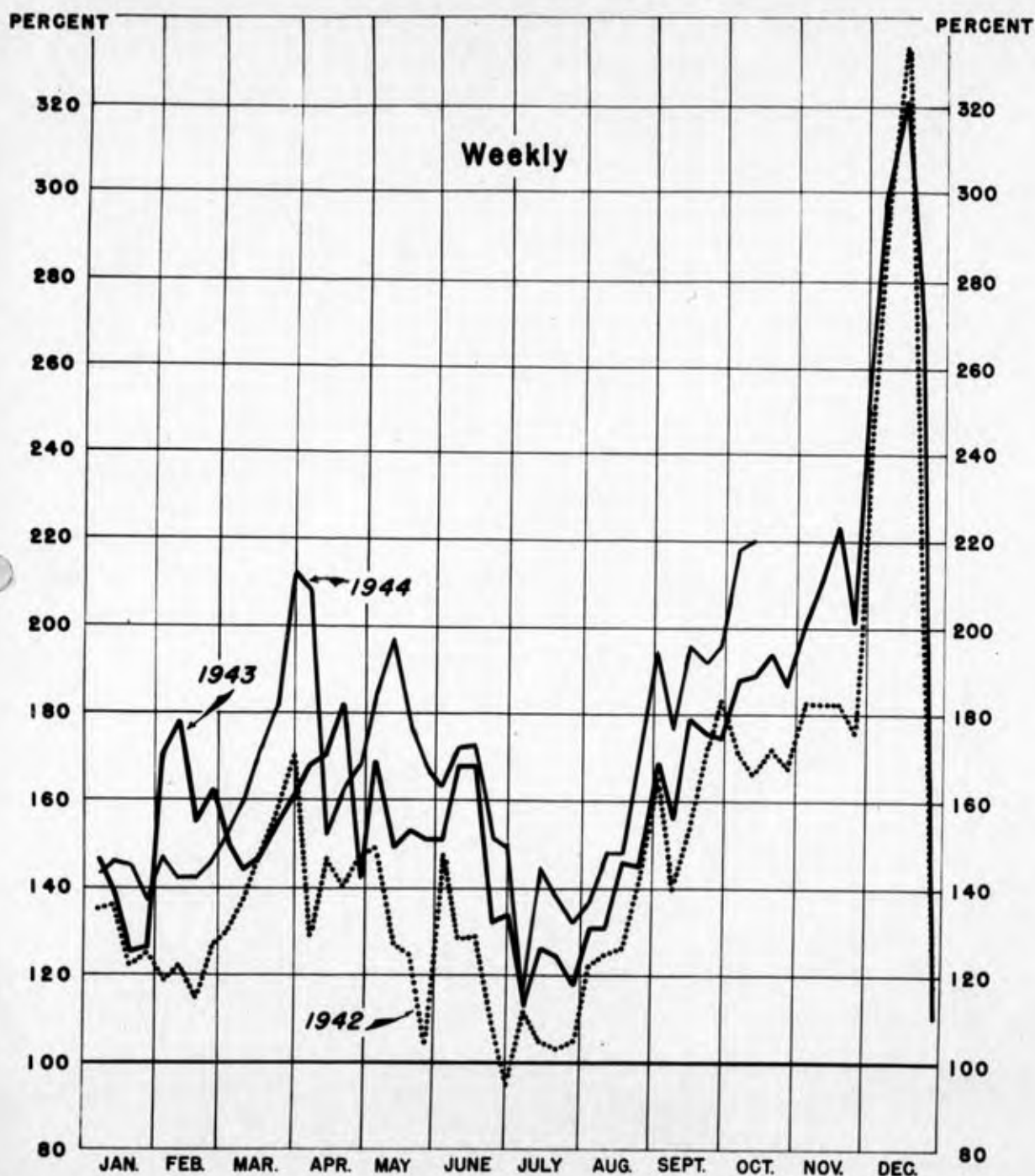
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Chart 5
 192

Regraded Unclassified

DEPARTMENT STORE SALES

1935 - '39 = 100, Unadjusted



OFFICE OF
THE ADMINISTRATIVE ASSISTANT
TO THE SECRETARY OF THE TREASURY

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October 23, 1944

To: Mrs. Klotz

From: Charles Bell

Mr. Olrich seemed very eager that the Secretary read this voluminous report of Mr. Clayton's, covering his activity with the Surplus War Property Administration from the beginning up until now, I think particularly because it is complimentary to the Procurement Division. I have read most of the report, and while it is complimentary to Procurement, it is likewise complimentary to other agencies.

CHARLES S. BELL

TELEPHONE 332

ROOM 3424



TREASURY DEPARTMENT

WASHINGTON 25

October 20, 1944

MEMORANDUM TO THE SECRETARY

There is enclosed for your information a draft of a proposed Final Report of the Surplus War Property Administration on its activities under Executive Order 9425.

The report is very complimentary to the Treasury Department, and although quite lengthy, I think it is worth your reading.

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

OFFICE OF WAR MOBILIZATION
SURPLUS WAR PROPERTY ADMINISTRATION

OFFICE OF ADMINISTRATOR

811 VERMONT AVENUE NW.
WASHINGTON 25, D. C.

October 12, 1944

To the Members of the Surplus
War Property Policy Board

I enclose for your comments a draft of a proposed Final Report of the Surplus War Property Administration on its activities under Executive Order 9425. I would much appreciate it if you could have your comments and suggestions in my hands by Friday, October 20, 1944.

As you will see, the report contemplates a rather voluminous appendix. Since this has not yet been assembled, and since you are all familiar with most of the documents which will appear in the appendix, the draft Report is being sent without an appendix in order to save time.

W. L. CLAYTON
Administrator

OCT 12 1944

RECEIVED DIVISION
PROPERTY DEPT

SURPLUS WAR PROPERTY ADMINISTRATION

Report to the Director of War Mobilization
as to activities under Executive
Order No. 9425

With the enactment of the Surplus Property Act of 1944 on 1944, the supervision and direction of the disposal of surplus Government-owned property was placed in a new agency created by Congress. This action terminates the activity of this Administration. It is therefore appropriate to submit a report of the activities of this Administration during the slightly more than 7 months since its creation.

Executive Order No. 9425

Executive Order No. 9425 was signed by the President on February 19, 1944; a copy appears in the Appendix to this report. It was designed, without creating a new selling agency, to coordinate the activities of existing agencies in the disposal of surplus property in order to avoid the chaotic market conditions, and the competition between Government agencies selling similar property, which prevailed for a period following the last war.

The means adopted was the establishment in the Office of War Mobilization of a Surplus War Property Administration, headed by an Administrator who was assisted by a Surplus War Property Policy Board composed of representatives of fourteen interested Government agencies. The Administration was given general supervision and direction of the handling, interagency transfer and disposition of surplus war property, and was directed, insofar as it deemed feasible, to assign specified types of property to named Government agencies for disposition.

"Surplus war property" was defined in the Executive Order as meaning any type of property in the possession or control of a Government agency which is in excess of its needs and which is determined, subject to the authority of the Office of War Mobilization, to be surplus by such agency. It is noteworthy that this definition was not restricted to property acquired for war purposes.

Baruch-Hancock Report

Executive Order No. 9425 followed by four days the submission to the Director of War Mobilization of the famous "Report on War and Post-War Adjustment Policies", by Bernard M. Baruch and John M. Hancock. Because its recommendations were so closely followed in the Executive Order, and because they have formed the basis of much of the action taken by the Administration, there is reproduced below so much of Summary Index of Recommendations in the Baruch-Hancock Report as relates to surplus property:

"1. The Director of War Mobilization to name a Surplus Property Administrator in the Office of War Mobilization with full authority for handling every aspect of surplus disposal.

Report to Director of War Mobilization

-2-

"2. A Surplus Property Policy Board, the Administrator as Chairman with full and final authority, and with these agencies represented: War, Navy, Treasury, Reconstruction Finance Corporation, Maritime Commission, War Production Board, Bureau of the Budget, the Food Administrator, the Attorney General, Federal Works Agency, State Department, and Foreign Economic Administration.

"3. Four major outlets to handle actual disposal, each in a clearly defined field, with no overlappings:

- (a) Consumer Goods to the Treasury Procurement Division.
- (b) Capital and Producer Goods, all types of industrial property, to a single corporation within the Reconstruction Finance Corporation, consolidating present R.F.C. subsidiaries.
- (c) Ships and Maritime Property to the Maritime Commission.
- (d) Food to the Food Administrator.

"4. All of these agencies, as well as any other agencies called upon to handle special disposal problems, to follow policies laid down by the Administrator in consultation with the Policy Board.

"5. The Surplus Administrator to report to Congress as soon as possible on legislation needed, basing his recommendations on actual experience with the problem.

"6. Our own suggestions as to the broad policies that the Surplus Administrator may wish to follow are summed up in ten basic principles:

1. Sell as much as he can as early as he can without unduly disrupting normal trade.
2. Listen to pressure groups but act in the national interest.
3. No sales, no rentals to speculators; none to promoters.
4. Get fair market prices for the values with proceeds of all sales going to reduce the national debt.
5. Sell as in a goldfish bowl, with records always open to public inspection.
6. As far as practicable, use the same regular channels of trade that private business would in disposing of the particular properties.
7. No Government operation of surplus war plants in competition with private industry.
8. No monopoly; equal access to surpluses for all businesses; preference to local ownership, but no subsidizing of one part of the country against another.
9. Scrap what must be scrapped but no deliberate destruction of useful property.
10. Before selling surplus equipment abroad, assure America's own productive efficiency on which our high wages and high living standards rest.

"7. The Surplus Administrator to be a man of proven executive capacity, business sagacity, unquestioned integrity, and great courage to fight off the selfish interests who will be seeking to exploit these surpluses.

-3-

"8. The facts on all sales to be open to public inspection, with regular reports from each disposal agency to Congress.

"9. All of the disposal agencies to make effective use of Industry Advisory Committees.

"10. The disposal agencies to lease as well as sell, to exchange properties, to sell on credit--but leasing must not become a hidden device for Government ownership or subsidies.

"11. The Army and the Navy to examine their inventories of the most critical civilian items to see what can be safely released during the war for the civilian economy without hurting the war.

"12. Surplus Administrator to study how to centralize the handling of real property, also, to explore the possibilities of beginning to liquidate Government holdings.

"13. The closest cooperation between the War Production Board and the Surplus Administrator so that controls do not necessarily hinder disposition by unduly limiting potential buyers, particularly in assuring prompt disposal of small quantities of surplus materials.

"14. The Surplus Administrator and the disposal agencies to have available to them in carrying out their policies the entire field force of all of the various agencies, including the Services.

"15. Surpluses to be offered in lots of such size as to permit businesses of all sizes to participate.

"16. The Attorney General is placed on the Policy Board because of the importance of preventing monopoly in disposal.

"17. The Bureau of the Budget is on the Board to develop policy for permanent good housekeeping of Government properties.

"18. The membership of the Surplus Property Board to be made up of men who will carry out the decisions that are made.

"19. The broad functions of the Surplus Property Board are summarized in the chapter on Surplus in the addendum."

Basic Philosophy and Principles.

Given the background of the Executive Order and the Baruch-Hancock Report, and before presenting a detailed history of the Administration's activities, it is material to outline a few of the basic problems which confronted the Administration, and to outline the principles by which it was guided in seeking their solution.

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War and Post-War Surpluses. It is of course a fundamental that any large disposal program, both for the sake of the general public interest and for the sake of the financial success of the disposal program itself, must be so conducted as not to break markets or otherwise dislocate the economy. At the outset, however, the Administration was confronted by the great difference in this respect between the problem of disposing of surpluses in wartime and that of disposing of them after the war. While the war is on, there is and will be an enormous demand for almost all types of goods, restricted only by the necessary War Production Board restrictions on production for civilian use. During that period disposal of surpluses at a rapid rate has a beneficial effect on the economy, with the added advantage that current sales will reduce the quantities which will overhang the market after the war. At that time the problem will be quite different, and as large surpluses appear the question of whether or not to sell, and at what rate, will become a difficult one because of its potential effect on the market for new production.

Surpluses a National Asset. The necessity to avoid market disruption does not, however, mean that surpluses should be frozen until they rot, become obsolete, or their values are dissipated in storage charges. No greater disservice could be done to the economy in general or the taxpayer in particular than to fail to realize on their value and their economic usefulness, or to leave them indefinitely and unproductively overhanging the market. The Baruch-Hancock Report has this to say on the subject:

"The problems that lie before us are difficult but soluble. Let no one feel that precious surpluses will bear down upon us and destroy us, that vast amounts of metals, raw materials, ships and airplanes will smother us and engulf us. These are assets of tremendous value. They will be real forces not alone in making the peace but in opening to the whole world, and therefore to us, vast opportunities."

Donations and Price Preferences. The Executive Order created no new powers of disposal, though it made transfers of existing powers from one agency to another. The Administration has consistently felt, both as a matter of legal power and as a matter of administrative policy, that it was no part of its function to authorize either donations of property of value or sales at less than fair market value. Authorization of such action is the exclusive province of Congress. The Administration can take into account, by giving first opportunity to purchase at fair value, the legitimate interests of such potential purchasers as Federal agencies, State and municipal Governments and non-profit institutions, and former owners of lands taken by the Government for war purposes. This it has done in the absence of an overriding need for disposal of the property in some other channel; more it can not do without Congressional direction.

Decentralization and Coordination. The Executive Order clearly contemplates that the actual handling and disposal of surplus property be carried on by existing Government agencies. The practical exigencies of the situation also dictate that sales shall normally be made in the region where the property is located. It follows that the Administration is a small organ-

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ization, supervising and directing the disposal activities of numerous agencies having even more numerous regional offices. In such circumstances, effective coordination requires first, that no more than one agency shall be charged with disposal of any particular type of property (however many other expert agencies it may consult in the process), and second, that the total number of agencies conducting substantial disposal activities shall be kept to a minimum, consistent with the ability of the designated agencies to handle the disposal task assigned to them.

Methods of Distribution. Because of the great variety of types of property, the differing quantities of each, the varying demands therefor and the particular practical problems attendant on each, it has been impossible to develop any uniform formula or method of disposal. Even so fundamental a principle as that different agencies should not be selling the same type of property in the commercial market at the same time, for instance, has had to be departed from in the case of contract termination inventories, because of the practical exigencies of the urgent problems of plant clearance, storage and transportation. The guiding principle has been to obtain the widest possible distribution of surplus property, at fair prices and in quantities small enough to give small purchasers equal opportunity to compete with larger purchasers, and making efficient use of commercial channels of trade so as to avoid the expense and administrative cumbersomeness of putting the Government into the retail business, as well as the resultant Government competition with private business.

Organization of the Administration

In view of its supervisory and policy-making function, the Administration has been able to keep its staff very small; it has a total of 55 officers and employees, including all stenographic and clerical personnel.

The organization has in effect consisted of three parts- a small central administrative nucleus, a group whose primary function is to deal with the principal owning and disposal agencies and a group of experts concentrating on particular important aspects of surplus property disposal.

The central nucleus consists, in addition to the Administrator, of the Deputy Administrator, the General Counsel, the Executive Assistant to the Administrator and their respective assistants. In addition this group includes the Secretary to the Policy Board and the Director of Information.

The principal members of the second group are the Assistant Administrators in charge of relations between the Administration and Reconstruction Finance Corporation, the War Department and the Foreign Economic Administration, respectively. A similar function with respect to the disposal of merchant vessels by the Maritime Commission has been performed by Mr. Howell Smith, an advisor serving without title or compensation. The Administration's close relations with the other principal owning and disposal agencies have been largely conducted by the Administrator, the Deputy Administrator and the Executive Assistant to the Administrator.

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The functions of the third group are indicated by their titles. It consists of the Directors of the following Divisions: Aviation Division, Machine Tool Division, Communications Division, Scrap Metal Division, State and Local Governments Division. Also in this group are the Economic Analyst and the Accounting Consultant.

The personnel which the Administration has obtained has been of consistently high caliber. The nature of its functions is such that they cannot be successfully performed except by top-flight experts. Because of the obvious post-war continuation and accentuation of the surplus property problem, it has been a very difficult task to attract persons with the essential qualifications. For that reason there are still gaps in even the small organization which was planned, and the Administration has been consistently short-handed. For instance, no Assistant Administrator in charge of relations with the Procurement Division of Treasury Department has yet been appointed. But for the cooperation of the armed services in assigning personnel to the Administration, and in some instances releasing them from active duty, the Administration's personnel difficulties would have been even more serious.

Relations with Other Agencies and Branches of Government

Since most of the Administration's functions involved dealings with other parts of the Government, important aspects of those dealings are covered elsewhere in this report. Certain of those relations are treated separately here, however, as indicative of the manner in which the surplus property problem is interwoven with the problems of other agencies.

Policy Board. The Surplus War Property Policy Board is an integral part of the Administration, made up of representatives of other interested Government agencies. For a considerable period it met weekly, and thereafter bi-weekly with occasional postponements when immediate pressure of business, particularly appearances of the Administrator before Congressional committees, so required. In addition, numerous committees of the Board, which are referred to elsewhere in this report, performed hard and extremely valuable work. The Board was a genuine working Board, whose discussions and advice had great influence in shaping the policies of the Administration. While no formal votes were taken, and while it was sometimes a practical necessity to take action first and report to the Board later, the Administration knows of no major step taken to which a majority or even a substantial minority of the Board was opposed.

War and Navy Departments. In addition to the representation of the armed services on the Board and numerous committees of the Board, and to the supervision by the Administration of their disposal of contract termination inventories, described below, a close relationship generally has been maintained. The armed services of course are and will be the predominant sources of surpluses for disposal. The primary task of determining what is and what is to become surplus necessarily must be theirs. This involves not only an enormous problem of inventory control and analysis, but the preparation of estimated requirements for future war needs, post-war stand-by programs and post-war needs of the military establishment. The Administration has, however, performed a valuable function in stimulating both the search for present surpluses and the early prosecution of studies which will permit intelligent planning as to the disposal of future surpluses.

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Department of Justice. The Attorney General has been a most helpful member of the Board, and headed a committee which made a thorough study of all the many statutes in effect which bear upon the powers of Government agencies to dispose of surplus property. Considerable negotiation has taken place with the Antitrust Division of the Department, with a view to clearing with the Department the proposed procedures for the use of Industry Advisory Committees by the disposal agencies, in order to protect the members of such committees from antitrust prosecution arising out of their participation in committee work. Finally, the Department's Federal-State Relations Section has been of great assistance in discussions of possible methods, discussed below, for establishing an organized means of disposing of surpluses so as to fulfill the needs of State and local governments and nonprofit institutions.

War Production Board. Close relations have been maintained throughout, particularly with the Redistribution Division of the War Production Board, which has been of assistance to the owning agencies in finding purchasers of termination property, and whose head served as chairman of the committee on termination price policies, discussed below. Matters of domestic and foreign civilian requirements, stockpile requirements, planning in connection with termination, reconversion and plant disposal, the needs of small business, and numerous others have been the subject of frequent consultations.

Bureau of the Budget. Executive Order No. 9425, while it terminated the responsibility of the Bureau of the Budget for supervising the transfer of surplus property between Government agencies, did not affect its responsibility for developing improved methods of inventory and inventory control by the agencies. These activities have continued, in cooperation with the Interdepartmental Committee on Property Utilization, and in addition both the Bureau of the Budget and the Interdepartmental Committee have been helpful in commenting on the Administration's regulations in their application to the non-war agencies of Government. Regulations furthering the normal peacetime function of the Bureau of the Budget in supervising permanent property management and Federal "good housekeeping" were in preparation when the uncertainties created by the pendency of H.R. 5125 rendered their postponement appropriate.

Congress. A great deal of the time of the Administration has been spent either in preparing or in presenting testimony before Committees of Congress. Among the Committees before which the Administrator has appeared by invitation, in some cases several times, are the following: Senate- Military Affairs, Post War Economic Policy and Planning, National Defense Investigating Committee; House of Representatives- Banking and Currency, Military Affairs, Expenditures in the Executive Departments, Post-War Economic Policy and Planning.

Report to Director of War Mobilization

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While some of this testimony related to specific pending bills, and a considerable amount of it related to the Administration's activities under the Executive Order, a great deal of it, as requested by the various committees, concerned the question of overall legislation on the subject of surplus property disposal; copies of some of the statements made on this subject will be found in the appendix.

The Administrator consistently testified that while overall legislation would in the long run be both desirable and necessary, current disposal problems could be adequately handled without legislation. He expressed the view that sound recommendations for legislation could best be made after a considerable amount of experience had been had with the actual practical problems of disposal.

Early in May 1944, however, the Administration was advised by Senator James E. Murray, that he intended to have overall surplus property legislation presented for the active consideration of Congress not later than early June. He requested the detailed recommendations of the Administration on the subject, and at the same time made similar requests of numerous of the interested Executive Agencies.

In view of the time schedule thus imposed it was determined by consultation between the Administration and various of the Executive Agencies, with the approval of Senator Murray and of the Chairmen of the Post War Economic Policy and Planning Committees of both Houses, to convene a committee of Executive Agencies, under the Chairmanship of the Administrator, in order to formulate specific legislative recommendations. This procedure was similar to that which proved helpful to Congress in connection with the Contract Settlement Act of 1944. The Committee in that connection having been under the Chairmanship of Mr. John M. Hancock.

The committee to recommend surplus property legislation contained representatives of the following agencies: War Department, Smaller War Plants, Navy Department, Reconstruction Finance Corp., Justice Department, War Production Board, Foreign Economic Administration, U. S. Maritime Commission, Treasury Department, War Food Administration, and Surplus War Property Administration. This committee met frequently, and a small drafting committee appointed by it met daily, for a period of nearly three weeks. On June 2, 1944, its recommendations, in the form of a proposed statute, were forwarded to Senator Murray and to the Chairmen of the two Post-War Committees.

On June 16 and 20, 1944, joint hearings of the two Post-War Committees were held, at which were present by invitation members of several other interested committees of both Houses. At these hearings the Administrator testified at length in explanation of the legislative recommendations which had been submitted and representatives of substantially all the agencies which had participated in the formulation of the recommendations also testified, with the exception of Smaller War Plants Corporation there was substantially complete unanimity in support of the recommendations presented.

It is unnecessary in this report to go into further detail with respect to the legislative history of the Surplus Property Act of 1944, which is a matter of public record. It suffices to say that the Administration put itself at the disposal of the Senate Committee on Military Affairs and the House Committee on Expenditures in the Executive Departments, which respectively were considering overall surplus property legislation, and expressed its views and the views of the Committee of the Executive Agencies at length and in detail. The original recommendations forwarded to the Congressional Committees on June 2, 1944, were the result of great thought, labor and consideration of all bills then pending before Congress. While as the Administrator had repeatedly testified, it would have been preferable had more time been allowed before definitive recommendations had to be made, nothing in the subsequent legislative proceedings has altered the view of the Administration that the recommendations made on June 2, 1944, could have formed the basis of a sound and workable statute.

Price Policies for Disposal of Contract Termination Inventories

When the Administration took office, the quantities of surplus finished articles, whether consumers' goods or capital equipment, which urgently required disposal, were not so great as to present an immediate pressing problem. As a result of rapidly changing war conditions and technical advances, however, increasing numbers of procurement contracts were being terminated in whole or in part by the armed services and the Maritime Commission.

Each such termination resulted in the immobilization, in the plants of both prime contractors and subcontractors of several tiers, of property in which the Government had an interest -- either a direct property interest or a direct financial interest because of the Government's obligation to pay for the property and its right to take possession of it.

It was recognized to be imperative that this scattered mass of property be promptly disposed of, both in the interest of clearing the contractor's plant to enable him to get on with his next job and in the interest of putting the property itself promptly into productive use in a market which was predominantly one of short supply. Moreover such expeditious disposal could, as a practical matter, be carried out only by the contractor under the supervision of the representatives of the procuring agency who were present at the contractor's plant and familiar with the contract and the property.

It was brought forcibly to the Administration's attention that disposal of termination property was not progressing with the desired speed. This was due to a number of causes, but the most prominent appeared to be an apprehension on the part of contracting and terminating officers that they would be criticized if they sold property, whatever its sales value, for substantially less than its cost, and a lack of clear and definable instructions to such officers prescribing the disposal policies under which they might properly operate.

While in some of its aspects this was not strictly a surplus property problem, the interested agencies felt that its solution required action by one central agency so that competition between agencies would be avoided and termination officers would have confidence that they would have full support if they carried out the enunciated policies. The matter being closely allied to the Administration's problems with respect to surplus property, the Joint Contract Termination Board delegated to the Administration all its authority over the subject matter, and the Administration proceeded to act.

A committee was appointed under the Chairmanship of Colonel C. R. Baxter, head of the Redistribution Division of the War Production Board, the other agencies represented being the War and Navy Departments, Reconstruction Finance Corporation, the Procurement Division of the Treasury Department, the Department of Justice and the Bureau of the Budget. The Committee's report was thoroughly analyzed and discussed by the Policy Board and resulted in the issuance on April 21, 1944, of the Administration's "Statement of Policies to be Followed by Government Agencies in the Sale of Contract Termination Inventories", together with an explanatory letter from the Administrator to the major procuring agencies; a copy of these documents appears in the Appendix to this report.

The problem was to encourage boldness and initiative on the part of termination officers in the disposal of termination inventories, while at the same time imposing reasonable safeguards against sales at improvidentially low prices, with resultant speculative profits. A corollary purpose was to encourage sale to persons who would themselves consume the property in war or essential civilian production, or in repair or maintenance activities in connection therewith. Further complications were inherent in the fact that a very substantial proportion of most termination inventories consists of semi-processed or semi-fabricated material, most of which, however great its cost, has no realizable value except as scrap. The decision to scrap material on which a great deal of labor has been expended is often difficult to make, but it is essential that it be made and made promptly, since the retention of such material in the hope of an eventual sale for some purpose other than scrap merely aggravates the already serious problems of plant clearance, storage, and transportation.

The policies originally issued on April 21, 1944 have been the subject of frequent review and re-examination. The tempo of sales of termination inventories has very substantially increased, but so has the backlog resulting from the increasing number of terminations and cutbacks. The original policies have been amended in material respects, all such amendments being relaxations of limitations on sales imposed by the original Policy Statement, even though that original statement was distinctly on the liberal side; copies of such amendments appear in the Appendix.

Additional amendments were under consideration and study by the Baxter Committee at the time the Surplus Property Act of 1944 was enacted.

Establishment of the Basic Surplus Disposal System
(Regulation No. 1)

Executive Order 9425, in addition to its general charging of the Administration with the supervision and direction of the disposal and interagency transfer of surplus property, gave clear indications of the scheme under which this duty was to be carried out. In addition to granting general

authority to act through, and utilize the services of, other agencies, it directed the Administration, so far as it deemed feasible, to assign specified general categories of property to named agencies for disposition.

It was thus clearly not contemplated that the Administration should itself act as a central sales organization, but that several existing agencies should be used as disposal agencies. Equally clear, however, was the implication that the number of those agencies should be kept small and manageable, and that sales of any one type of property should be centralized in a single agency in order to avoid both overlapping organizations and inter-agency competition.

Regulation No. 1, which became effective on May 15, 1944, as to surplus property of the armed services and the Maritime Commission, and on August 1, 1944, as to that of all other agencies, is largely an implementation of this basic theory. Its issuance, however, had to be preceded by an exhaustive consideration of such basic problems as the following:

1. In what instances do the practical problems of disposal dictate the designation of disposal agencies other than those named in the Executive Order, or the grant of disposal authority to the "owning agency" -- i.e. the agency already in control of the property?

2. When property has been determined to be surplus and reported as such, what are the relative duties and responsibilities of the owning and disposal agencies for such things as care, handling, storage, transportation and property accountability?

3. Administratively, what agency shall make the final determination, with respect to any particular piece of property, as to the existence of legal authority to dispose of it and as to the nature and extent of any legal restrictions on that authority?

4. How can the categories of property to be assigned to each disposal agency be accurately described, so that owning agencies will know to what agency to report specific property and purchasers will know what agency sells it?

5. How are the disposal agencies to be organized regionally, and how are they to handle the mechanics of inventorying, reporting and listing for sale surplus property reported to them?

6. What forms should be used for the reporting of surplus property so as to give the disposal agency information sufficient for sales purposes, with a minimum of unnecessary work by the reporting agency?

The solutions to these problems embodied in Regulation No. 1, as supplemented, have thus far proved sound and workable in actual operation. Minor revisions were under consideration when the Surplus Property Act of 1944 was enacted, and major revisions will be necessary as the result of that Act. It is the Administration's opinion, however, that not only is the basic disposal system established by Regulation No. 1, and now functioning, consistent with the Act, but its continuation without fundamental change was contemplated by Congress.

Detailed Discussion of Various Activities1. Procedures for Reporting Surpluses

The procedures for reporting surplus property were provided by the preparation of prescribed standard report forms, along with the assignment of responsibility for disposition of property among the different disposal agencies. A Report of Surplus Property (Forms S.W.P.A.-1 and S.W.P.A.-1a) was prescribed for use in reporting surplus personal property. Instructions for the preparation of this form are given in S.W.P.A. Regulation No. 1. This report form superseded Form No. 812 formerly prescribed by the Procurement Division of the Treasury Department. A Report of Surplus Real Property (S.W.P.A.-5) was prescribed for reporting real property other than industrial. In the case of surplus personal property arising from contract terminations, the prescribed Report of Surplus Property is used only as a cover sheet for the inventory sheets prepared by the contractors and submitted by the owning agencies to the disposal agencies. The contract termination inventory sheets were designed to aid both in the redistribution of surplus property among Government agencies and in the disposal of such property by the authorized disposal agencies. A revision of these inventory sheets was recently completed, to be effective about October 1, 1944, so as to make the forms better meet the needs of (a) the contractors, (b) the officers in the contracting agencies engaged in effecting contract settlements, and (c) the disposal agencies.

As recommended to the Administrator last March by the Committee on Redistribution, Handling, and Disposal of Surplus Property, specification sheets developed by the War Production Board to describe important commodities and items of equipment are being expanded into a complete hand-book covering all classes of commodities and equipment, so that reports of surplus property to disposal agencies will be accompanied by sufficient specifications or descriptions expressed in commercial terms and in details comparable to those used in ordinary purchase and sale operations, to furnish the disposal agencies with the data required to arrange for disposition. This "Hand-Book of Standards for Describing Surplus Property" is in process of compilation by the War Production Board; the first two sections of a total of twenty-two sections are now at the Government Printing Office and it is anticipated that all sections will be issued prior to the end of this year.

Inventories of Owning and Disposal Agencies. The Federal Government's Standard Commodity Classification was prescribed by the Administration for use by the disposal agencies in establishing and maintaining inventory records of surplus personal property. The use of the Standard Commodity Classification provides a practicable means of classifying the property reported to the different disposal agencies in a uniform, clearly understood manner which will provide sufficiently detailed identification of the property for a general inventory system, although further measures are necessary in many cases to record and summarize the numerous details necessary for disposal activities. The numerical system incorporated in the Standard Commodity Classification is particularly advantageous under punched card accounting procedures. While the inventory records of the disposal agencies

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record various details as to quantities, descriptions, condition, total cost (and appraised value in the case of the confirmed inventory of the Treasury Department's Procurement Division) and certain other data, the periodic summaries and reports of surplus property prepared for administrative control and analysis reflect only monetary amounts.

In S.W.P.A. Regulation No. 1, owning agencies were urged to establish as promptly as practicable and maintain their inventory records in accordance with the Standard Commodity Classification. The adoption of this recommendation would facilitate the preparation of reports of surplus property in the form desired for handling by the disposal agencies. However, it is recognized it is not practicable at present for the War and Navy Departments to make substantial changes in their inventory practices. The owning agencies are required, however, to use the general segregations (two digit major groups) in the preparation of Reports of Surplus Property.

Since the maintenance of the inventory records according to the Standard Commodity Classification requires an extensive numerical coding in the disposal agencies of the items included in Reports of Surplus Property, such coding is greatly facilitated by an alphabetical reference to the appropriate numerical codes. While Volume II of the Standard Commodity Classification lists alphabetically about thirty-five thousand items, it was recognized that this list should be considerably expanded to aid in the uniform classification of surplus property by the various agencies and regional offices maintaining inventory records. At the request of the Administrator, a technical committee on the Standard Commodity Classification was organized by the Bureau of the Budget to expand the alphabetical list, particularly to cover important items likely to become surplus and to make any necessary revisions of the classification which might now seem desirable. Considerable progress has been made in this connection and a more detailed index of some forty-five thousand additional commodity items is nearing completion.

In order to secure uniform reporting by owning agencies and uniform coding by disposal agencies, the technical committee has decided to prepare special tables converting seven stock catalogs of the Navy and War Departments into terms of the Standard Commodity Classification. As soon as the editors and coders complete their work on the alphabetical index, they will be shifted to the job of preparing conversion tables for some 385,000 items in these stock catalogs.

Reports by Disposal Agencies to S.W.P.A. A system of monthly reports, Forms S.W.P.A. 6 to 10, has been prepared and prescribed for use by the disposal agencies in reporting the progress of their acquisitions, dispositions, and inventories. These reports are tentative in certain respects and changes and additions will doubtless be necessary. The operations of the disposal agencies are being currently summarized from the data obtained by these reports for the period since June 1, 1944, the month following the first effective date (May 15, 1944) of S.W.P.A. Regulation No. 1. The summary for the month of August, 1944 appears in the Appendix to this report. These summarize the activities of the disposal agencies both for the month of

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August and for the three months ending August 31, 1944. The following statement summarizes the activities of the disposal agencies for the period May 31, 1944 to August 31, 1944:

General Summary of
Surplus Property Reported to Disposal Agencies
May 31, 1944 to August 31, 1944

Reported to:	Balance 5-31-44	Declarations	Disposal Reported	On Hand Aug. 31, 1944 Cost 1/)
	(thousands of dollars)			
Reconstruction Finance Corp.	43,460	250,075	32,362	261,173
Proc. Div. of Treas. Dept.:				
Confirmed Inventory 1/	30,221	43,109	26,269	47,061
Transit Account	-	30,475	-	30,475
Total	30,221	73,584	26,269	77,536
Maritime Commission	-	9,375	291	9,084
War Food Administration 2/	-	702	564	138
Foreign Economic Adm.	-	2	-	2
 Total, all Disposal Agencies	 73,681	 333,738	 59,486	 347,933

1/ Appraised value for confirmed inventory of Proc. Div. of Treas. Dept.

2/ Own surplus stocks included only for month of August.

Reports by Owning Agencies. The various owning agencies are in the process of determining excess and idle property which will, to some extent, subsequently be declared surplus and available for disposition. A total of \$691,000,000 for such property was in the process of screening and redistribution or was being held idle in standby condition but not yet declared to be surplus as of August 31, 1944 as indicated by the following table:

Excess Property of Owning Agencies in Process
of Screening and Idle Property in Standby
Condition Not Yet Declared to be Surplus

(Excess property includes property which has been determined to be in excess of needs of a particular bureau, technical service, command, regional area, or program, but not yet determined to be surplus to the needs of the War, Navy, or other owning or sponsoring department or agency.)

Owning Agency	Approximate Cost
Defense Plant Corporation	\$243,909,000
Maritime Commission (including War Shipping Administration)	30,347,000
War Food Administration	5,700,000
Foreign Economic Administration	1,512,000
War Department	396,791,000
Navy Department	12,803,000
 Total	 \$691,062,000

Total Disposals in 1944

As illustrative of the magnitude of the surplus problem even prior to the end of any phase of the war, the following figures are presented showing dispositions of property by the two principal owning agencies and the five principal disposal agencies from January 1, 1944 to August 31, 1944:

Reconstruction Finance Corp.	\$84,000,000
Treasury Procurement	80,000,000
Maritime Commission	19,000,000
Foreign Economic Administration	2,000,000
War Food Administration	41,000,000
War Department	249,000,000
Navy Department	25,000,000
	\$500,000,000

The above figures are in part estimates, and are incomplete in that they exclude certain sales of facilities and interagency transfers which would materially increase the total.

2. Consumers' GoodsAssignments

Consumers' goods, except food, were assigned to the Procurement Division of Treasury as the government disposal agency, in accordance with Executive Order 9425, February 19, 1944. Later, the Procurement Division was also designated disposal agency for a small number of capital and producers' goods, as indicated in Exhibit 1 to SWPA Regulation No. 1. The assignment of certain non-consumer goods was made to Treasury-Procurement, rather than to Reconstruction Finance Corporation, in order to take advantage of the previous experience and existing staff of the Procurement Division.

The problem of disposing of surplus government property is not new to the Procurement Division. Under Executive Order 9235, August 31, 1942, providing for the effective conservation and use of all types of Federally-owned property, the Procurement Division established a new branch for this purpose and set up 11 regional offices throughout the country and one in Puerto Rico.

When the Surplus War Property Administration was established early in 1944, the Procurement Division therefore was already organized and disposing of surplus property, though not on a scale commensurate with the anticipated war surpluses. For some time, moreover, the principal disposal function of the Procurement Division consisted of redistributing, within the government, civilian types of surplus property that originated largely in the civilian agencies. Since 1943, however, highly diversified types of surpluses originating largely in the war agencies have flowed to Procurement Division for disposal. Moreover, commercial channels, rather than Government agencies, have become the chief market for surplus property.

Organization

The Procurement Division materially expanded its organization and personnel after Surplus War Property Administration was established and is installing a new, and more adequate, system of inventory control in order to cope with the growing problem of disposal and to anticipate the impact of the cessation of hostilities in Europe.

The Office of Surplus Property was established in the Procurement Division and a staff of men from the field of business, with considerable experience in marketing consumers' goods, was added to the Washington Office. Personnel skilled in accounting, control, and operating, were also added, and the regional offices were over-hauled with a view to improving their operations.

The figures below show the extent to which the organization has grown within a few months. Even greater growth would have occurred if it had been possible to find the necessary personnel.

Number of Employees Office of Surplus Property, Treasury Procurement Division

	<u>March 1</u>	<u>June 1</u>	<u>September 1</u>
Washington Office	124	149	201
Regional Offices	<u>1,982</u>	<u>2,334</u>	<u>2,845</u>
TOTAL	2,106	2,483	3,046

In revamping the previous organization and adding to personnel, the Office of Surplus Property attempted to place itself in such a position that it could work efficiently and have the confidence of the business channels through which surpluses are distributed. Eight merchandise and sales divisions (Furniture, Machinery, General Products, Automotive, Hardware, Textiles and Wearing Apparel, Medical and Surgical, and Paper and Office Supplies), were established with a deputy director in charge of sales and placed under executives with wide experience in these fields. A similar pattern is being followed in the regional offices.

An Operations Division, whose responsibility is the control of property and reports, coding, appraisal, warehousing and transportation, works closely with the Sales Division in order to coordinate the physical handling and movement of property with the transfer of ownership.

A third major Division at the Washington Office is responsible for a number of staff functions, such as personnel, research, publicity, trade relations, and relations with other Government agencies.

Summary of Disposal Progress

Surplus property held by the Procurement Division on August 31, 1944, the latest date for which data are available, totalled approximately 78 million dollars. More than one-half this amount, or 44 million dollars (appraised value), represented surplus in the so-called "confirmed" inventory,

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which consists of property that has been classified and appraised for disposal. The "transit" account, consisting of property that has not yet been classified and appraised, amounted to 31 million dollars (cost), and the small remainder, or 3 million dollars of property, represented miscellaneous old accounts.

During the 3-month period, June-August, immediately following issuance of SWTA Regulation No. 1, the Procurement Division received declarations of surplus property from the owning agencies, chiefly the War Department, that totalled 74 million dollars. Dispositions of surplus property in the same period amounted to 26 million dollars (appraised value), nearly three-fourths of which represented sales. The remainder was almost entirely transfers to government agencies.

Inasmuch as acquisitions exceeded dispositions during the period, the amount of surplus property for which the Procurement Division has disposal responsibility, although still small, rose appreciably and was three times greater on August 31 than it was 3 months earlier. Moreover, nearly two-fifths of the property held on August 31 was in "transit" account, awaiting classification and appraisal. The Procurement Division recognizes that the two problems, the rapid growth in inventories and the size of the "transit" account, represent a challenge to the ingenuity and resourcefulness of the disposal personnel to improve current procedures in order to meet the more acute problem of surplus disposal anticipated after Germany falls.

Surpluses ready for disposal by the Procurement Division on August 31, consisted of a wide variety of products, those classes exceeding 2 million dollars each (appraised value) being, surgical and medical supplies (\$5,600,000); motor vehicles and parts (\$4,200,000); furniture and fixtures (\$3,200,000); miscellaneous parts (\$2,400,000); leather (\$2,200,000); metal industry products, except machinery (\$2,200,000) and apparel, except footwear (\$2,100,000).

The disposition of motor trucks has been one of the leading activities of the Procurement Division in recent months. Approximately 6,265 motor vehicles were on hand August 31, compared with 27,495 trucks that have been declared as surplus to the Procurement Division, 21,230 having been distributed. Many more are shortly expected to be declared surplus.

Generally, trucks have been disposed of quickly after being inspected and listed for disposal. Because of the acute shortage, particularly among farmers who need trucks to move their crops, the Procurement Division has placed surplus trucks on the market as quickly as possible.

Distribution of trucks geographically was made according to information obtained from the Office of Defense Transportation indicating those areas most critically in need of truck transportation. Sales were made in such areas through hundreds of dealers. An effort was made to limit sales to not more than 5 trucks per dealer, although special circumstances sometimes made it advisable to vary this. Sales average less than 2 trucks per dealer per month.

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Many other leading inventory items were far more difficult to move, for example, furniture and fixtures, consisting largely of used bed mattresses; and fabricated textile products (except apparel), consisting in large part of mosquito nets and bars, and comforters. It is evident that merchandise which is in usable condition and for which civilian shortages are prevalent move quickly, whereas items that are in poor condition and are not in short civilian supply may require months of resourceful merchandising before distribution is possible.

Sales Policies and Procedures

The principal problems involved in disposing of most consumers' goods, the Procurement Division has found, consist of determining (a) the outlet or trade channel to be utilized; (b) the size of the lots in which the property should be offered, and (c) the method by which the property should be priced and the sale executed. Thus far, these determinations have been made largely by considering the particular conditions of each case and making decisions accordingly.

(a) Channels of Trade. The Procurement Division has operated under the policy established by SWPA that regular trade channels should be generally used, although disposal by other means may be advisable in special cases. Property could be offered to the manufacturer, wholesaler, retailer or consumer, or any combination of these. For practical reasons, however, the Procurement Division of Treasury makes no sales directly to the consuming public. Instead, it sells through established manufacturers, wholesalers, dealers, and exporters, who in turn, sell to other distributors or consumers located throughout the United States and in foreign countries. The consuming public, both here and in foreign countries, thus acquire U.S. Government-owned surplus consumer goods through the customary retail or dealer outlets.

No attempt has been made to establish Government-owned and operated retail outlets. To establish and perfect a sales organization of sufficient size and scope to deal with each citizen or consumer desiring to purchase the heterogeneous products available, appeared to be an undertaking that was almost prohibitive in cost and certainly not feasible at this time. Even if it were possible to develop such an organization, it would be inadvisable because Government retail outlets would duplicate existing distributors, and possibly drive them out of business.

The Procurement Division also does not sell surplus consumers' goods in the United States directly to foreign nationals. This policy is consistent with that established for domestic sales. After consulting with representatives of the State Department and Foreign Economic Administration, the Administrator recommended to the Procurement Division of Treasury that a disposal agency should not deal directly with foreign importers, inasmuch as such action would place the disposal agency in the position of an exporter and thus be in direct competition with United States exporters. No objection

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was found, however, to Treasury's dealing with an agent, or branch office, of a prospective foreign buyer, if the agent were situated in the United States and could handle the details of export clearance and shipping.

Customarily, the Procurement Division offers the merchandise to the manufacturer when the product is one which has to be reworked or altered in some important respect, when its value lies in the component materials to be reclaimed from it, when service in connection with the sale is important and must be rendered at the manufacturer level, when brand reputation might otherwise be jeopardized, when quick and equitable distribution can best be obtained by this method, or when sale to distributors and dealers might be so disruptive as to cause unemployment at the manufacturing level.

The wholesaler is approached when conditions such as those just cited are not present and when the property is a type usually distributed through such channels. The retailer is approached when the property is the type which the retailer usually buys direct from manufacturers.

Generally, the larger the available surplus, the greater is the likelihood that all three levels of trade will be approached.

(b) Lot Sizes. In conformity with the policy of Surplus War Property Administration, the desire to enable small concerns to participate in the marketing of surplus property has been the principal factor governing the determination of the lot size. The practice, therefore, has been to offer consumers' goods in lot sizes which have been established for small businesses by trade custom, although not always in such small lots as to be necessarily attractive to the smallest retailers. It has seemed desirable to cater to the smallest retailers of consumers' goods through their wholesalers. With respect to certain producers' goods, for example, trucks and construction machinery, the property may not be offered in lots but in single units.

(c) Pricing and Methods of Sale. The Procurement Division has operated within the framework of standard practices and policies established by the Office of Price Administration and Surplus War Property Administration when determining the prices at which consumers' goods are to be sold. It has adhered to the policy included in SWPA Regulation No. 1, Section VI, that a reasonable test of the market is a necessary prerequisite to any sale in order to obtain the full market value of surplus property.

Furthermore, the Administration has encouraged the Procurement Division to cooperate closely with the Office of Price Administration on pricing problems, not only for the purpose of ascertaining the maximum permissible price, but also to utilize the experience and extensive price information of the Office of Price Administration in establishing the appropriate sales prices to accept. Conversely, an effort is being made by the Procurement Division to furnish the Office of Price Administration with more information on surplus commodities, so that transactions in such surpluses may be removed more rapidly from price control regulations whenever possible. (OPA ceiling prices and other limitations specifically relating to the prices and sales of surplus war goods were covered by OPA in Supplementary Order 94, August 2, 1944, entitled "Sales by Government Agencies and Resales by Certain Buyers.")

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Auctions, sealed bids, and negotiation have all been used by the Procurement Division in making sales.

The auction method has been employed infrequently, but is adopted where the type of property is customarily sold by this method. For example, thousands of horses have been sold by auction. It has also been employed where large quantities of heterogeneous property must be put on sale because buyers cannot be attracted by other methods of sale.

No strict set of guides is available for governing whether the method of sealed-bid or negotiation shall be used in a particular instance. Among the factors weighed in making such a decision are:

Opportunity for all interested parties to participate in the purchase of the property.

Total net return to the government from the sale of the property involved.

Speed of disposal necessary.

Existence or non-existence of a recognized market price for the type of property involved.

Quantity of the property available for disposal.

Existence or non-existence of a known market for the property.

If the property is to be sold by negotiation, the appraised value may be significant, for it often becomes the price at which the property is offered to prospective purchasers. The appraised value may be subjected to check, however, by an actual test of the capacity of the market to take property at various prices.

The sealed-bid method has been used far more than the other two. This method has an appealing element of fairness about it and seems to be the "safe" method to use to insure all interested buyers an opportunity to participate. Actually this method is not attractive to many potential buyers and it does not ease the problem of equitable allocation when there are more bidders at ceiling prices than there is property to be distributed.

Recently there has been greater emphasis on the negotiated-sale method because, if carefully employed, it can result in distribution as equitable as the sealed-bid method, and because it may bring a higher price and involve less expense. Also, it has the marked advantage of speed at a time when every effort is being exerted to see to it that merchandise in short supply reaches the hands of consumers as quickly as possible. Finally it probably results in a higher return to the Government. It is recognized, however, that the negotiations should be sufficiently wide in coverage as to assure an adequate test of the market.

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3. Aircraft, Aircraft Parts and Aeronautical Equipment

Aircraft, aircraft parts and aeronautical equipment will probably constitute the largest single surplus property group, judged in terms of quantity and original cost. Today's aircraft surpluses are primarily (1) war-weary combat planes, (2) obsolete types and (3) trainers. The largest portion are trainers, many of which could be spared by the military air services as they attained full strength.

Surplus Aircraft Advisory Subcommittee

In March, shortly after the issuance of Executive Order 9425, a Surplus Aircraft Advisory Subcommittee was appointed and Mr. L. Welch Pogue, Chairman of the Civil Aeronautics Board and member of the Surplus War Property Policy Board, was designated Chairman. The purpose of the Subcommittee was to prepare a report recommending the policies to be applied in disposal of surplus aircraft. In addition to the Civil Aeronautics Board member, representatives of State, War, Navy and Commerce Departments, the Reconstruction Finance Corporation, the Foreign Economic Administration and the Bureau of the Budget were included on the Committee.

The Committee had the benefit of the best technical advice and studies, including the research incident to a report on surplus aircraft disposal by the Harvard Graduate School of Business Administration under a War Department contract and completed on June 26, 1944. A copy of the Harvard Report appears in the Appendix to this report.

Although the "Pogue Committee" did not submit its final report until July 18, it followed the practice of furnishing the Administrator with preliminary suggestions from time to time. As a result of one of such preliminary suggestions, the Aviation Division of the Surplus War Property Administration was established early in June.

The Working Committee

Following another preliminary recommendation of the "Pogue Committee," an interdepartmental Working Committee was appointed, advisory to the Director, Aviation Division. The membership of this Committee is representative of the same agencies as those represented on the "Pogue Committee" with the exception that the Bureau of the Budget has been eliminated and the War Production Board has been added. The Working Committee meets regularly every week, and keeps complete minutes of its meetings, which are available for examination.

The Working Committee is the medium through which the various actions of the Administration in the disposal of surplus aircraft are coordinated with the various interested departments and agencies. The Committee has been of great value in working out policies and procedures to be recommended for adoption by the Administrator. The function of allocation of aircraft types, for which the demand is high in relation to the supply, has been assigned to the Director, Aviation Division, and the Working Committee.

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"Pogue Committee" and "Harvard" Reports

The "Pogue Committee" Report, which is both summarized and reproduced in full in the Appendix to this report, is similar to the "Harvard" Report in its major conclusions. Both emphasized the great significance of air power to our national security and the importance of preserving, as a national asset, the capacity of our permanent aircraft manufacturing industry for design, development and production of modern aircraft. Both stressed the necessity for orderly and prompt disposal of surplus aircraft through normal channels of trade wherever possible in order to avoid disruption of employment and industry. In the establishment of policies governing disposal of surplus aircraft, the Administration has been largely guided by these two excellent reports.

Organization

The organization of surplus aircraft disposal is shown in the chart which appears in the Appendix. This chart explains the relationship which has existed between the Administrator, the Director, Aviation Division, the Working Committee and the two disposal agencies handling aircraft, namely, the Reconstruction Finance Corporation and the Foreign Economic Administration.

(a) Aviation Division. The Director, Aviation Division, is assisted by an Assistant Director, a Special Assistant in Charge of Public Relations and a War Department liaison officer. It is contemplated that a second Assistant Director will be appointed in the near future, and the Navy Department has indicated its willingness to assign a liaison officer. A research analyst may be added to the staff at a later date.

(b) Reconstruction Finance Corporation. The surplus aircraft disposal activities of the Reconstruction Finance Corporation have been assigned to the Defense Plant Corporation which has set up a special division for this purpose known as the Surplus War Aircraft Division.

Great emphasis has been placed on decentralization in the administration of the aircraft disposal program. Reconstruction Finance Corporation has availed itself of the technical services of the Civil Aeronautics Administration, both in the Washington office and in the field, to establish sales centers and storage depots at various points in the continental United States. Since the first of August the Air Transport Command has been ferrying aircraft into these centers and depots at an increasing rate, and as of September 21st, 6,476 aircraft had been delivered into the actual custody of the Surplus War Aircraft Division.

The small and more readily saleable aircraft, consisting principally of liaison airplanes, are placed in the sales centers, located at the sites of previously existing fixed-base operations. The Division has entered into "Agreements for Storage and Service" with some 34 operators for the maintenance and protection of aircraft assigned to them. When aircraft reach these bases they are immediately inspected to determine condition,

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and an inventory of equipment is prepared under the direction of a Civil Aeronautics Administration supervisor at the center. After inspection the ceiling price, as determined by the Office of Price Administration, is established, and the airplane is listed for sale either by direct purchase at the ceiling price or by sealed competitive bid. In the sale of military aircraft for civilian use, proper certification by the Civil Aeronautics Administration is essential, and in this the Civil Aeronautics Administration has been most cooperative in conducting flight tests to determine eligibility for an approved type certificate. Thirty-five models thus far have been certified as acceptable.

All other airplanes, including those subject for the time being to allocation as potential transports or utility cargo types and those considered less readily saleable, are being placed in the storage depots, located principally at fields financed by the Defense Plant Corporation. The Division has entered into a "Field Storage Contract" with a contractor at such storage depots on a cost-plus-a-fixed-fee basis for the storage of aircraft under the supervision of a Civil Aeronautics Administration supervisor. As in the case of sales centers, all aircraft are inspected, and the equipment is inventoried, as soon as possible after arrival.

(c) Foreign Economic Administration. The Foreign Economic Administration has an organization problem which, in many respects, is more difficult than that of Reconstruction Finance Corporation. The Reconstruction Finance Corporation can and does employ the services of the highly developed U. S. aeronautical industry through the use of agency contracts. It is far more difficult for the Foreign Economic Administration to find reliable agents in the foreign field, and it is also difficult, in the face of the present manpower shortage, to obtain the services of competent technical supervisory personnel for assignment to the many foreign posts which will come under the Foreign Economic Administration's jurisdiction. It is probable that its activities will have to be largely limited to receiving surplus declarations, engaging in market surveys and perfecting plans until partial demobilization makes available personnel to perform the many mechanical and technical functions of surplus disposal abroad. Meanwhile, it will be necessary to depend on the owning agencies (Army and Navy) for most of these mechanical and technical functions.

Purchase and Sales Procedures.

The following paragraphs segregate purchase and sales procedures into the different classes of aeronautical material which are specified in the Harvard and "Pogue Committee" reports.

Class A--Tactical Aircraft

It has been established, through an exchange of letters with the Secretary of War and Navy, that the requirements of friendly foreign nations for tactical aircraft will be met, during the war, before surplus declarations are made. Therefore, aircraft in this category will be saleable for flight use in only a few instances to meet specialized, industrial or pri-

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vate requirements. The disposal agencies have been instructed to clear any such sales with the Director, Aviation Division, who in turn will request War and Navy Department approval of sales of tactical aircraft in the United States and State, War and Navy Department approval of foreign sales.

It is contemplated that most Class A aircraft will be promptly reclassified to Class E (unabsorbed surplus) to be dismantled and disposed of for non-flight purposes.

Class B--Transports

At the present time the demand for transports greatly exceeds the supply. An allocation procedure has been established to assure that such planes as are available are sold to the individuals or organizations who have the greatest need for them and especially to those who are making contributions to the war effort.

The allocations procedure established for surplus aircraft has been coordinated with that established by the War Production Board with respect to new aircraft and by the Munitions Assignment Board with respect to aircraft produced for use by the military services of the United Nations. A Memorandum of Understanding which describes, in detail, the entire procedure appears in the Appendix to this report.

Class C--Personal Aircraft

Planes in this category suitable for private flying are offered, in the United States, for competitive bidding "where is", "as is", or are sold on an outright offer of the OPA ceiling price. It is contemplated that some of the the planes in this Class will be set aside for foreign sale at fixed prices approximating those being received for similar planes in this country. The competitive bid method of sale is not regarded as adaptable to foreign sale.

Trainer planes are not being generally offered for sale at this time. In accordance with the recommendations of the "Pogue Committee", they are being held off the market with the thought that they may ultimately be made available for organized training programs, several of which are currently in the planning stage. For example, it is considered likely that many returning servicemen who have learned to fly at government expense will wish to maintain pilot ratings on aircraft powered with engines in the higher horsepower brackets. Most of these men could not afford to fly anything larger than a light plane of the "grasshopper" type, if they had to buy the plane or rent it at a price which included amortization of original cost. It has been suggested that surplus training planes should be distributed to airports throughout the country at nominal cost and made available for use by ex-service and reserve pilots at rentals which take into account only actual operating and maintenance expense.

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Class D--Aircraft Equipment and Component Parts

The disposal agencies are currently drafting agency contracts through which it is hoped the services of the manufacturers can be employed in distribution of items in this category. (Army and Navy catalogues list between 500,000 and 600,000 different classifications.) The manufacturers are familiar with the multitude of parts which they have manufactured. They have a continuing interest in seeing that these components and parts are properly distributed in a condition to render satisfactory service. The contracts will provide for payment by the disposal agencies of the manufacturer's out-of-pocket expenses. The manufacturer will receive a commission on such sales as are made and commissions to distributors will also be authorized.

Class E--Unabsorbed Surplus

It has been estimated that as many as 30,000 schools and colleges throughout the country may desire aeronautical equipment for classroom use. An educational distribution committee has been formed by the Director, Aviation Division. The Chairman of the Committee is Lt. Col. H. E. Poling, Assistant Chief, Disposal Section for Field Operations, Air Technical Service Command, Wright Field, Dayton, Ohio. Through the medium of this committee the thoughts of many organizations interested in educational distribution have been brought together and a final plan of distribution is in the process of preparation. There is also the possibility that a substantial demand will develop for aircraft parts and aeronautical equipment to serve non-aeronautical purposes. While it is not likely that these items which have been built at great expense under emergency conditions to serve a special purpose will have much monetary value when adapted to serve purposes different from those for which they were built, nevertheless they represent the finest American design and workmanship and it is considered highly probable that many of them will have substantial use value in industry, in the home and on the farm.

In order to determine the demand for aircraft parts and equipment to serve educational and non-aviation uses, the Surplus War Property Administration and the Reconstruction Finance Corporation asked the Army Air Force to disassemble a war-weary B-24 bomber. This was done and the parts were displayed in an exhibit which was first located at Patterson Field, Dayton, Ohio, and later at Hains Point in the District of Columbia. The exhibit was viewed by members of Congress, educational and scientific organizations. The principal organizations attending the exhibit have been asked to submit reports and it is hoped that these will be helpful in indicating the demand for aircraft parts and equipment to serve non-flight purposes of all types.

When the demand for aircraft in each category for flight use, for educational, experimental and memorial purposes, and for non-aviation purposes has been evaluated, it is contemplated that sufficient supplies will be set aside in storage depots to meet this demand for a reasonable period.

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of time. (The "Pogue Committee" report suggests that a reasonable period might be three years following the cessation of hostilities.) It is anticipated that the maintenance of supplies to meet the demand extending beyond that time will result in a substantial net cost to the taxpayer which cannot be justified. Therefore, it is contemplated that the surplus which is not required to meet demands over a reasonable period of time should be unhesitatingly scrapped.

At the present time neither of the disposal agencies is equipped to undertake the scrapping of surplus aircraft. This procedure is currently being handled by the owning agencies under authority granted by Surplus War Property Administration. The Foreign Economic Administration has been authorized to report back to the owning agency for salvage and scrap all combat aircraft declared surplus in overseas theaters.

Pricing Policy

Regulation No. 4, governing the pricing of aircraft by the disposal agencies, was issued on September 21, 1944; a copy appears in the Appendix.

For those few surplus military aircraft (Class A) suitable for specialized industrial or private use, the Regulation sets only minimum prices. They must not be sold at less than the estimated sales value of salvageable spare parts plus the scrap value of unsalvageable residue.

Prices of Class B aircraft--transports--are related to the lowest manufacturing cost of the planes manufactured in greatest quantity during the first six months of 1944. The applicant is given the option to buy outright, to lease or to purchase on a terminable installment plan. The purpose of making planes available on a lease or terminable installment plan was to remove the necessity for those in urgent need of transport equipment to tie up, in obsolete aircraft equipment, large sums of money which could better be used for the purchase of new aircraft as soon as they become available. It was also felt that this "pay-as-you-go" method of disposal would result in a wide use of surplus transport aircraft during the initial postwar period and that the aggregate rentals received might, in the long run, exceed in amount the proceeds that could be obtained from direct sale.

Planes suitable for private flying (Class C) are to be offered in the United States for competitive bidding or sold upon an outright offer of the OPA ceiling price. Foreign sales at fixed prices comparable to those being received in the United States are authorized. The quantity of aircraft suitable for private flying is small inasmuch as relatively few have been built since the beginning of the war and the supply has diminished greatly through attrition.

Primary trainers may be sold under the competitive bid method or at fixed prices for which certain minimums are specified.

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The Regulation provides that Class D items--aircraft equipment and component parts--be sold whenever practicable through normal channels of trade in accordance with established trade procedures.

The disposal agencies are authorized to sell, lease, lend or donate Class E property--unabsorbed surplus--to non-profit educational institutions to the extent of the authorizations which they or the owning agencies have been granted by Congress, on a warranty that they will not be resold for flight use.

SURPLUS INVENTORY

As of September 27 the Army and Navy had reported as surplus to the Reconstruction Finance Corporation, aircraft, aircraft equipment and component parts estimated to have cost \$227,000,000. Included in this total were 9,348 planes and 784 gliders. A complete itemization follows:

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SUMMARY OF SURPLUS AVIATION PRODUCTS, 9-27-44

<u>Units</u>	<u>Group</u>	<u>Type</u>	<u>Approx. Cost</u>	<u>Percentage</u>
(9348)	I.	AIRPLANES	\$ (206,295,070)	90.94
1797		A. Light Trainers or Liaison	5,100,487	(2.47)
3445		B. Primary Trainers	42,526,487	(20.61)
2124		C. Basic Trainers	51,810,750	(25.11)
426		D. Multi Engine Trainers	24,122,159	(11.70)
(676)		E. Light Combat, Observ., Adv. Tr.	(50,958,414)	(24.70)
47		(1) Fighters	5,619,674	
400		(2) Light Bombers (2 engine)	35,918,702	
40		(3) Light Bombers (1 engine)	2,348,797	
116		(4) Advance Trainers (1 engine)	4,744,243	
73		(5) Observation	2,326,998	
(185)		F. Medium Bombers	(28,581,455)	(13.85)
184		(1) Medium Bombers (2 engine)	28,231,455	
1		(2) Patrol Bomber (Flying Boat)	350,000	
		G. Heavy Bombers		
108		H. Utility Cargo	1,263,490	(.61)
12		I. Light Transports	405,415	(.20)
10		J. Medium Transports	1,035,680	(.50)
		K. Large Transports		
3		L. Rotary Aircraft	433,533	(.22)
11		M. Aerial Targets	57,200	(.03)
784	II.	GLIDERS	2,120,063	.93
85	III.	LIGHTER THAN AIRCRAFT	707,880	.31
1566	IV.	ENGINES	14,840,580.86	6.55
1	V.	LINK TRAINERS	3,696	
	VI.	PARTS AND COMPONENTS	(2,772,785.85)	1.22
		A. Airframe Assemblies and Parts	72,300.13	
		B. Engine Parts and Accessories	51,309.03	
		C. Propeller Assemblies and Parts	2,897.40	
		D. Aircraft Armament Equipment	1,206,804.80	
		E. Electric Equipment for Engines	483,692.96	
		F. Airplane Lighting Fixtures	73,507.91	
		G. Misc. Aircraft Parts and Equipment	882,273.62	
436	VII.	GROUND AND REPAIR EQUIPMENT	95,361	.04
254	VIII	PERSONNEL EQUIPMENT	23,391.65	.01
		GRAND TOTAL	226,858,828.36	100.00

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In addition to the above, approximately 5400 Class C planes originally purchased from private owners by the Defense Plant Corporation for use in the Civil Aeronautics Administration's War Training Service Program have become surplus. Because they belong to the disposal agency, under authority of SWPA Regulation No. 2, they have not been declared surplus. More than 5000 of these planes have now been sold.

Of the planes declared surplus by the military services, approximately 500 had been sold as of October 1. These were all in Class C. With one exception, no sales in any other class have been made, pending the working out of necessary details of the policies and procedures under which the disposal agencies are to operate. Such details are nearly completed.

As yet no aircraft, aircraft equipment or component parts have been reported as surplus to the Foreign Economic Administration. This condition is not expected to be of long duration, however, and with the end of hostilities in Europe it is probable that a very large number of combat aircraft will be declared surplus.

Public Relations Program

It is of the utmost importance to prepare the public mind for the realization that very little monetary recovery can be derived from the large numbers of aircraft which have been constructed for the purpose of winning the war. The problem would be relatively simple if all of the surplus aircraft were war-weary. On the contrary, at the end of the war brand new aircraft and equipment will be surplus in great quantity. Production cannot suddenly be brought to a full stop and inevitably great quantities of aviation material will be built for which there will be no use.

It must also be made clear that the retention of reserves of aircraft built for this war can only create a false sense of security. These planes start to become obsolete from the day they are built and the security of the nation cannot be preserved with obsolete aircraft.

The public relations problem, where surplus aircraft disposal is concerned, is highly technical. It has received special attention from the Surplus War Property Administration and from the War and Navy Departments. From the outset it was realized that an aggressive information program and coordination of the public relations activities of the agencies most concerned with surplus aircraft disposal were imperative. To that end the Director, Aviation Division, SWPA, appointed a Special Assistant for Public Relations. In addition, a Special Committee on Public Relations with representatives from the disposal agencies, the Office of War Information, and the War and Navy Departments has been appointed to work out a detailed program and to coordinate its execution.

4. Machine Tools and Producers' Goods

Machine Tools

When the war in Europe began, there were approximately 900,000 machine tools in the entire United States. At the present time, this Government alone owns between 500,000 and 600,000 machine tools, a very large proportion of which will eventually become surplus. Since this represents over 25 years' normal prewar production of the machine tool industry, and since that industry has itself greatly expanded during the war, the scope and importance of the disposal program are obvious.

Relatively few machine tools have yet been declared surplus. On August 22, 1944, 5,287 had been declared surplus and 4,485 disposed of, leaving 802 on hand. The great bulk of these were owned by Defense Plant Corporation, which in this instance is a very substantial owning agency as well as being the disposal agency. Only 300 machine tools had been declared surplus by the armed services, and most of these were old tools bought second-hand. Excess tools listed by the armed services with the War Production Board, but not yet declared surplus, amounted to only 11,467.

The major problem is thus yet to come, as most of the Government-owned machine tools are still in war production. Cooperation between Government and industry on reconversion plans has been vital for some months, however, and an important part of each manufacturer's plans should be a decision as to how much of his machine tool needs he will fill out of surplus property and how much out of new production.

The administration, in addition to encouraging negotiations on this subject on the earliest possible date, issued a specific price formula for the sale of standard general-purpose machine tools, so that manufacturers can anticipate exactly what their equipment will cost if bought from the Government. This policy is being adhered to by all agencies negotiating sales of machine tools, which is important since negotiations are taking place, and should take place, while the machine tools are still in use in war production, and hence before they have become surplus and been reported to the disposal agency.

A copy of SWPA Regulation No. 3, establishing this price policy, appears in the Appendix to this report. It was issued upon the joint recommendation of the War Department, the Navy Department and Reconstruction Finance Corporation. Its most noteworthy feature is a 5-point differential whereby the manufacturer who is now using the tools, knows their condition and knows whether they have been properly maintained, must pay a higher price than an outside purchaser.

With the approval of the Administration, Reconstruction Finance Corporation has adopted a liberal credit policy to encourage purchases of machine tools by small business. This policy permits sales with a 15% cash down payment, the balance payable in monthly installments over a five-year period at 4% interest.

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When the Surplus Property Act of 1944 was enacted, price formulae for other categories of machine tools, and procedures for expediting the sale of machine tools and other production equipment, were under active consideration.

Cutting Tools, Parts and Supplies.

After considerable study, a committee of the interested agencies has submitted to the Administration a plan for the disposal of surplus cutting tools, which is of sufficient general interest to be summarized here although it has not yet been put into operation.

Large quantities of cutting tools are and will continue to become surplus, largely as a result of contract terminations. Cutting tools are precision articles in which small differences in quality, condition and specifications have a great effect on sales value, and exact and expert knowledge is needed for a full appreciation of these factors. For that reason, inexpert disposal would result both in large speculative profits and in a dislocation of the market for new cutting tools. The purpose of the plan is to render these results impossible, to produce the maximum return for the Government and to maintain an orderly relationship between surplus disposal and new production.

Under the plan, any cutting tool manufacturer desiring to do so may become an agent of Defense Plant Corporation, the disposal agency for surplus cutting tools. Cutting tools becoming available for disposal (either as a result of contract termination or of being determined to be surplus by an owning agency) will then be sent direct to the agent who manufactured them. The agent will inspect, inventory, store and do whatever is necessary to put the tools in first class condition at the expense of Defense Plant Corporation. He will divide the tools into three categories - standard cutting tools, semi-special cutting tools, and special cutting tools. He will then proceed to sell the Government-owned cutting tools on a percentage relation with the tools that he manufactures himself. Sales will be made through regular distributing channels at the same prices that the agent-manufacturer charges for his own tools. On sales of Government-owned tools, the agent-manufacturer will receive a commission specified in the agency contract.

Subject to the approval of the Attorney General, this plan has been approved by the Administration and by the Office of Contract Settlement. Negotiations for similar plans are in progress in connection with the disposal of radio tubes, and have been considered for such products as abrasive wheels, ball and roller bearings, and others.

Chemicals

Chemicals in general have been in two extreme groups, namely, materials in very active demand and short supply, the sale of which is largely controlled by War Production Board allocations, and materials for which, under present conditions, there is relatively little civilian demand. The latter group in-

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cludes a large number of materials for which either no demand exists under normal conditions, or which are available in quantities far in excess of normal civilian consumption and requiring developments of new uses. Because the allocation and control of chemicals in the War Production Board is concentrated in Washington, and because of the technical nature of the material, the sale of surplus chemicals has also been concentrated in Washington and is being handled by the division of Defense Supplies Corporation which handled stockpile operations of this nature.

Steel

Steel and other common metals are handled under a recently devised procedure by Metals Reserve Company, involving local sales coupled with a plan for nationwide information and shifting of stocks from one area to another. Two difficulties have been encountered in the disposal of surplus metals - first, the natural desire of purchasers to acquire necessary supplies from their regular sources, and second, the unbalanced supply and demand in various localities.

The first of these difficulties has been accentuated by the limitations upon uses necessary under wartime conditions, and particularly because of manpower shortages. Because of these conditions, in many cases the only persons allowed to purchase are also allowed to fill their requirements from prime sources. Since in most cases material is available from prime sources at the present time, and since there is relatively little profit incentive because of taxes and renegotiation, the allowable purchasers are not anxious to acquire the surplus material regardless of price. As a result, in many cases the only buying interest has been from dealers, who are primarily interested in purchasing on a relatively long-term speculative basis rather than to fill immediate requirements. It has seemed inadvisable to break the market to a level attractive to such speculative buyers, since with the relaxing of limitations which may be expected in the not too distant future, a market will exist which will return to the Government a far greater value than would be available by sales today.

The geographic dislocation which presented a considerable obstacle to sales is being overcome by a procedure which establishes a central inventory with Murray Cooke's agent in New York, who performs two functions, bringing together inquiries from one locality and supply at another, and buyers to whom nationwide offerings are of logical interest. Because of the tremendous number of different possible descriptions, the establishment of a central inventory was difficult, and required considerable time. However, it is believed that the present operation will result in a steadily increasing sales which will be further increased by the development in the field offices of technically skilled personnel to handle the material.

Other Producers' Goods.

Of the other producers' goods assigned to Reconstruction Finance Corporation, the majority are either of a nature which requires local sales because of transportation costs, or are in acutely short supply, and present relatively little sales difficulty except that resulting from the various regu-

lations governing their use. Fibers, for example, are in the latter class, and because of their nature, can be sold readily but require considerable technical knowledge to obtain the greatest value. Coal is primarily the subject of local sales, since it cannot be moved economically except in rare instances. Lumber also must be sold locally. Petroleum products are either readily salable or, as in the case of some of the materials reported to date, of such unusual specifications as to be unknown to the civilian trade, and requiring the development of substitute uses.

5. Industrial Plants

The Government has furnished facilities, to which it has title, to a proximately 2,367 privately operated industrial plants. Of these, complete plants owned by the Government approximate 772 in number, 600 represent "Scrambled" construction facilities, and 995 represent machine tools and production equipment located in privately owned plants.

Excluding 11 instances in which contractors have exercised options to purchase plants, in strict conformity with the terms of such options, only 17 plants have been declared surplus. Of these one has been sold, 5 have been reclaimed by the owning agency and withdrawn from surplus and 11 are for sale.

Thus, as in the case of machine tools, the real problem of disposal of surplus industrial plants is ahead, but it is vital in the interests of reconversion and reemployment that prompt and intelligent planning take place as long in advance as possible.

The armed services are completing internal surveys to determine what plants should be retained in stand-by condition, what plants are needed as a war reserve, and what machine tools and production equipment will be needed for such programs as the modernization of arsenals and the like.

Defense Plant Corporation is making surveys of each plant owned by it which include (a) a detailed engineering report describing the plant, the type of construction undertaken, and such customary information as areas, floor loads, clearances, bays, etc.; (b) details of cost, photographs, maps, plot plans and plant layouts; (c) detailed description of each item of equipment showing manufacturer, type, condition, age, price, location, etc.; (d) information on taxes, housing, power, water, sewers, transportation, etc.; (e) information regarding availability and cost of necessary raw materials; (f) information showing whether the facilities deviate from building codes, whether they are single purpose or multiple purpose, whether they are scrambled or capable of independent operation, and whether they are capable, from a physical standpoint, of peacetime operations.

Such surveys are completed for over 75 per cent of the projects and are well under way for the balance. DPC is also making cost comparisons both in construction and operation between different plants in given fields and between different products that are competitive or potentially so.

In brief, Defense Plant Corporation proposes to take each plant in various fields, such as aluminum, magnesium, alcohol, etc., and determine what reduction in costs, what new or cheaper sources of raw material, power, etc., what new outlets for its product, what supplementary facilities, what improvements in transportation and its cost, etc., will be required to enable the plant to justify itself in the post-war market.

Studies are being made of over-all industries and the position of Government plants in the industry in order to determine for the country at large and for particular regions, pre-war and current capacities and production, present stockpiles, the condition and types of private and Government facilities, the financial position of present operators, the availability of other possible operators, and other relevant factors.

The possibility of converting some of the larger plants into multiple tenancy or small unit manufacturing, is also under study. Judging from prior efforts along this line, both in this country and in England, such operations have usually been successful where transportation was good, and where they were adjacent to large consumer markets. Most Government-owned plants are not so located.

In current negotiations for the sale of industrial plants, the price has been determined on what would be today's reproduction cost of the plant, eliminating such war-time factors as overtime, delays in holding labor while waiting for materials and excess cost of laying foundations during the winter, as distinguished from the more normal methods of construction. This gives the present material and labor cost under normal construction methods. Depreciation is next deducted, then there is deducted the cost of whatever changes are necessary in the plant to make it suitable for peace-time operation. The resulting figure is the basic price.

6. Nonindustrial Real Estate

Executive Order No. 9425 designated the Reconstruction Finance Corporation (or its subsidiaries) as the agency to dispose of surplus industrial real property, but was silent as to the agency which should dispose of other real property, including surplus agricultural land. The Administration was, therefore, faced with the necessity of designating the disposal agency for surplus agricultural and other types of surplus land.

Accordingly the Administrator appointed an Interdepartmental Real Estate Committee under the Chairmanship of Col. John J. O'Brien, Chief of the Real Estate Department of the Army Corps of Engineers. The members of the Committee and the Agencies they represented were as follows:

Col. John J. O'Brien, Chairman	War Department
Mr. Robert J. Hayes	National Housing Agency
Mr. Louis Bean	Reconstruction Finance Corp.
Mr. W. E. Reynolds, Commissioner	Public Bldg. Admin., FWA
Mr. John J. Courtney	Navy Department
Mr. Joel D. Wolfsohn	Dept. of Interior
Mr. Seth D. Sims, Asst. Secy. of	Dept. of Agriculture
Mr. John Carmody	Maritime Commission

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The purpose of the Committee was to recommend to the Administrator an agency which in its opinion should be designated as the disposal agency for surplus agricultural and similar lands and to recommend policies under which such land should be sold. The Committee held five meetings - May 29, June 5, June 12, June 23, and July 28. The final report of the Committee recommended two agencies, Public Buildings Administration and the Reconstruction Finance Corporation, with the decision between the two left to the Administrator. Other recommendations concerning policies were also included in the report. A copy of the minutes of the five meetings appear in the Appendix to this report.

After further consultation and deliberation the Administrator chose the Reconstruction Finance Corporation as the disposal agency for real estate other than industrial, for the reasons set forth in the Committee report. The Reconstruction Finance Corporation immediately began formulating plans for carrying out the program, which it submitted to the Administrator. This was followed by the issuance by the Administration of Surplus War Property Supplement No. 1 to Regulation No. 1 and Regulation No. 2 which pertains principally to the disposal of surplus land other than industrial. Copies appear in the Appendix to this report.

The policies set forth in Regulation No. 2 were based upon the recommendations of the Interdepartmental Real Estate Committee. They emphasize first, the granting to former owners of a prior right to repurchase their property at its fair market value, and second, the sale of agricultural land in family-sized parcels to persons who will live on and cultivate the land, and who will not assemble small tracts into large ones for speculative purposes.

Acting under paragraph A Section II of Regulation No. 2, the Reconstruction Finance Corporation set up a Surplus Real Estate Advisory Committee, the membership of which represented other Government Agencies and Departments under the Chairmanship of Col. M. J. O'Byrne of the Reconstruction Finance Corporation. The Committee, in addition to the Chairman, consisted of the following:

Mr. R. G. Church	Public Buildings Administration
Major R. H. Fabian	War Department
Mr. A. S. Koch	Civil Aeronautics Administration
Mr. N. M. Littell	Department of Justice
Mr. Seth D. Sims	Department of Agriculture
Mr. John T. Courtney	Navy Department
Mr. Leon H. Keyserling	National Housing Agency
Mr. Joel David Wolfsohn	Department of Interior

This Committee has been actively considering the problems of nonindustrial land disposal, though all sales were stopped when it became apparent that the Surplus Property Act of 1944 would require a complete revision of existing regulations on the subject. Substantially no real estate has in fact been sold.

The problem of disposing of Government-owned improvements on leased lands was encountered. The Army alone had about 20,000 leases, generally containing the obligation of restoration of the leased lands. It was decided that

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the Army should continue disposing of Government-owned improvements (other than industrial) on leased lands and letters to the War Department authorizing it to do so and outlining the methods were forwarded under date of July 17th and August 22nd, copies of which appear in the Appendix to this report.

On August 28th members of the Surplus Real Estate Advisory Committee, representing agencies which might be interested in acquiring for their own use any of the surplus land, were sent a list and requested to clear with their agency, within a 21-day period, as to whether any of such land was desired for their use.

To date twenty-four items of real estate have been declared surplus to the Reconstruction Finance Corporation comprising 71,432,350 acres of land which, with the original cost of acquisition and the cost of the Government of betterments placed on the land, amounts to \$4,692,817.77.

7. Food

The War Food Administration was designated by SWPA Regulation No. 1 as the disposal agency for foods; this assignment complied with the designation in Executive Order 9425. While this assignment was made in Regulation No. 1, that Regulation originally became effective only as to the surplus war property of the War and Navy Departments and the Maritime Commission. By Supplement No. 1 to Regulation No. 1, the effectiveness of the Regulation was extended to surplus property of the War Food Administration as of August 1, 1944.

Not only do the various owning agencies, such as the Army and Navy, turn over surplus food to War Food Administration for disposal but War Food Administration itself constitutes an owning agency of large stocks of food. But War Food Administration has varied responsibilities in disposing of foods; it sells foods as a result of normal inventory turn-over and also as part of its price stabilization program.

There was no category of sales within WFA which corresponded with the Surplus War Property Administration designation of "surplus to its needs." It was therefore necessary for War Food Administration to determine within its own organization just what stocks available for sale came within a definition of surplus rather than of inventory turn-over or of price stabilization. Accordingly, during August it set up a procedure whereby a designation is made within WFA when food stocks are released for sale to indicate whether they constitute surplus. This determination is made based upon the origin of the food stocks. This system was instituted toward the end of August and WFA is now engaged in recasting its records upon the same basis going back to May 15, 1944, when SWPA Regulation No. 1 became effective.

War Food Administration has been selling surplus stocks of food declared to it by the other owning agencies, but such declarations have not presented a large disposal problem to date.

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8. Merchant Vessels

SWPA Regulation No. 1, effective May 15th, 1944, designated the Maritime Commission as the disposal agency for "ships and small watercraft", excluding "ships under the cognizance of the Navy Department which fall into the categories of combat ships or naval auxiliaries, other than those based on commercial designs or susceptible of commercial usage."

For practical and administrative reasons the Maritime Commission has divided surplus vessels into two disposal groups; (small) vessels up to and including 1000 gross registered tons, and (large) vessels over 1000 gross registered tons.

No large vessels have yet been declared surplus and it is improbable that such vessels will be declared surplus prior to the end of the war. It is, however, abundantly evident that a substantial surplus of large vessels will eventually exist. The problem of disposal of such surplus large vessels has been studied and considered carefully and an outline plan for orderly and effective disposal has been prepared. Disposal of the surplus of large vessels has serious international as well as domestic implications.

Within security limits full information and data of vessels under their ownership and control have been continuously available from the Maritime Commission and War Shipping Administration.

The War Department and Navy Department have been requested to submit data as to the number of vessels of each general type that they own, which will eventually become surplus, that are 'based on commercial designs or are susceptible of commercial usage', and if possible their general location, to enable development of disposal plans in advance of actual declaration of such vessels as surplus. This, and additional specific information as to each type of vessel, is necessary to determine which types are susceptible of commercial usage.

Studies were also contemplated of the adaptability of vessels of peculiarly military type, such as landing craft, to commercial usage.

Surplus small vessel disposal has been in progress since the inception of SWPA Regulation No. 1.

Since May 15, 1944, up to September 7th, 1944, 361 small vessels have been declared surplus, in the following sequence:

May	15th to June	30th, 1944	-	22 vessels
July	1st to July	31st, 1944	-	35 vessels
Aug.	1st to Aug.	31st, 1944	-	229 vessels
Sept.	1st to Sept.	7th, 1944	-	75 vessels

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Of the vessels declared surplus, the following 12 vessels have been disposed of:

<u>NAME</u>	<u>OFFICIAL NUMBER</u>	<u>DISPOSITION</u>	<u>SALES PRICE</u>	<u>PURCHASE PRICE</u>
AMELIA	224429	To Former Owner	\$12,500.	\$28,957.
PRINCETON HALL		" " "	19,055.	29,172.
KETCHIKAN	236146	" " "	21,970.	41,000.
BABY ROSE	241095	" " "	26,000.	60,542.
RELAXER III	118860	" " "	13,000.	28,645.
MY KAY IV	239337	" " "	7,500.	28,000.
KATIE D	239142	" " "	20,000.	50,500.
MARIE	236927	Returned to Owner with payment for use of	3,500.	
ADIOS	236433	" " " " " " "	3,000	
STERLING	230454	" " " " " " "	4,000	
BEBE		Sold to Owner	\$1.00	\$1.00
RESOLUTION	1J633	Transferred to U.S.M. C.		

Disposal of all vessels of 1000 gross registered tons or less has been made by the War Shipping Administration in accordance with the provisions of Public Law 305 - 78th Congress, approved May 18th, 1944. Procedure under the law requires reasonable notices to former owners of vessels, which creates a lapse of approximately two months after declaration of small vessels as surplus, before they can be advertised publicly for disposal to other than the former owner.

9. Communications Equipment

Actual sales of surplus communications equipment, through declarations to disposal agencies, have been comparatively small. These surpluses have been entirely from the Army, and so far no declarations have been made to the Reconstruction Finance Corporation by the Navy, Maritime Commission, or other departments. The largest declaration by the Army is some \$13,300,000, cost value, of vacuum tubes. Nearly half of these tubes have been returned to original manufacturers for disposal under contract agreement and will be promptly sold for Government account. The Army has also declared surplus about \$270,000 of wired and wireless communications apparatus, comprising a large number of items. Disposal of this equipment has been delayed, pending discussions with manufacturers. The Treasury Procurement Division, which previously sold all Army surpluses, has continued to dispose of domestic receiving sets and photographic equipment, as they become surplus or obsolete.

The Army Signal Corps has been very active in its efforts to locate and declare surplus communications equipment, and both it and the Army Service Forces have been most cooperative. The Signal Corps, in addition to directive work from Washington, has established surplus property divisions in each of its depots in this country, and pressure is being put on these divisions to discover and declare any excess stocks.

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The larger amounts of surplus in the communications field have, so far, resulted from the termination of contracts, although none of these surpluses has been declared to the Reconstruction Finance Corporation. The Signal Corps, at present, is endeavoring to clear terminations through having prime contractors dispose of resulting inventory claims. Component parts are used on other contracts, or sold, and the balance of materials sold for reuse or scrap. Eventually, component parts will be returned direct to the original manufacturer; as contracts, discussed below, are signed.

Several months ago, some manufacturers had inventories resulting from terminated contracts standing undeclared for many months, some running for as long a time as sixteen months. This was a natural result of pressure to get out needed war supplies and an unwillingness to sacrifice any time in inventorying cancelled orders. The Administration had discussions with a number of manufacturers regarding terminated contracts, as well as disposal of surpluses, putting emphasis on the prompt clearance of cancelled orders. Settlement of inventory claims often results in the discovery of component parts still badly needed for war production. The War Production Board has recently put in stronger screening methods, to enable the prompt recovery of needed component parts from terminated contracts. Manufacturers now appear fully to appreciate the importance of a prompt clearance of cancelled orders, and the Office of Contract Settlement, as well as the armed services, are following the situation closely, so that useable parts may go into new contracts or be returned to manufacturers, and prompt disposition made of the balance of materials.

Much of the Administration's work has been concerned with making plans for disposal of the large surpluses to be expected with the completion of operations in the European theater. It seems likely that communications surpluses at that time will largely result in this country from terminated contracts and a reduction in depot stocks; and in Europe, from fixed installations, any excessive reserve stocks, and heavier, bulky materials which it may be decided unwise to move to other theaters, such as poles and possibly lead-covered cable. Other useable equipment is likely to be shipped to, or reserved for use in, other theaters.

The Reconstruction Finance Corp. has developed a contract for consignment of surplus communications equipment in this country to the original manufacturers, who would act as agents in disposal for the Government. These contracts would make it possible to dispose of surpluses in an orderly manner, without having unuseable quantities dumped on the market at one time through auction or other sales methods. It would put the materials into the hands of the people who should know most about them, and who should be in the best position to find markets either for the original or some substitute use of the product.

The contract provides that the manufacturer would accept the return of all of his products which the Government desired to return to him on a consignment basis, and that he would act as agent in checking, testing, reconditioning (if needed), and storing, all at cost, and receive a small commission for selling. The ratio of sales of such Government stocks, to the manufacturer's own

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stocks, is left open, as in some instances it may be possible for the manufacturer to move all of the Government stock before he is in a position to produce his own product, and in other instances it may be necessary to sell a much smaller percentage of Government-owned stocks, in order to allow the manufacturer to keep his factory in operation and employ labor. It is thought, however, that these manufacturers should sell the Government stock at least as fast as their own.

The contracts will be followed very closely to make sure that the Government's interest is being protected, and where manufacturers contend that there is no possible sale for certain equipment, other opinions must be obtained from independent sources. The Signal Corps of the Army has expressed itself as highly in favor of the contracts and will cooperate fully with the Reconstruction Finance Corporation in returning component parts and completed equipment to agreed manufacturers. A number of such contracts have been signed, and others were under discussion when the Surplus Property Act of 1944 was enacted.

There are a number of types of communications equipment for which it will be difficult or impossible to find a market, other than scrap. Certain types of radar equipment will probably fall in this classification. A manufacturer naturally hesitates to agree to take back such material to handle, store, and eventually scrap. It was the Administration's plan, in such circumstances, after obtaining independent opinions, to dispose of these equipments where they stand, without incurring any further loss to the Government through packing and transporting.

The difficulty of planning for disposal of surpluses is increased by the wide variety of estimates received on the amounts and various types to be expected. There seems to be agreement, however, that certain types of radio and radar, vacuum tubes, field wire, and certain depot reserve stocks and parts, will furnish some of the principal surpluses of communications equipment. A further delay arises from the fact that some of this equipment, especially radar, is still carried in the secret category, which hinders efforts to consider possible alternate commercial uses. Discussions have been held with the War Shipping Administration, the Civil Aeronautics Administration, and the Association of American Railways and other organizations, as to the potential use of certain of these surpluses when, as, and if they arise. The War Production Board and the Foreign Economic Administration have lists of organizations which have asked for licenses to have manufactured, or to export, various types of communications equipment, and these possible outlets are being kept informed. There is a large accumulated demand, at the present time, for many types of radio equipment from Government departments, such as Shipping, Forestry, and Park Services; State and Municipal Departments, such as Police and Fire, and truck, bus, and taxi services. If, as is anticipated, the large surpluses of such equipment will not come until the war ends with Japan, then there may be greater difficulty with disposal, as manufacturers will be partly on a peacetime production basis, and rapidly making obsolete the more expensive and heavier types of Army-Navy equipment.

No decision has been announced on ultimate disposition of lend-lease communications equipment, large quantities of which have been shipped abroad. The size of our peacetime Army and the requirement of military training for all young men, are also undecided questions. Universal military training would require substantial amounts of communications apparatus for training and for maintenance. It is possible that the Navy may decide to sell radio and radar equipment, or some of it, with any ships disposed of after the war.

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It may well be decided, also, to maintain wired and wireless installations, which we have undoubtedly made on islands of the Pacific, where they do not come under allied government control. Should all of these factors work against the declaration of surpluses, then the problems of surplus disposal would be substantially reduced.

There has so far been no surplus communications equipment reported to the RFC by the Navy. Any surpluses which have occurred have probably been due to obsolescence, caused by the rapid development of the communications art during the war, and it is understood that in such cases the Navy has been able to dispose of them through utilization of parts, without assistance from the Reconstruction Finance Corporation. In this connection, it is interesting to note that the Navy awarded a contract to a manufacturer to disassemble a large number of a certain type of set. Some valuable and badly needed parts were thus recovered. This plan presents interesting possibilities for types of surplus communications equipment for which no market can be found, provided recoveries warrant the dismantling costs. The Navy is storing component parts taken over from terminated contracts or obsolete equipment, in a centralized warehouse, and is understood to be using them on some new contracts and for maintenance.

No surplus communications equipment has thus far been declared from foreign theaters. It has been the plan that these surpluses would be declared through Washington, rather than in the foreign theaters. In the European theater there will undoubtedly be fixed installations of wired circuits, telephone and telegraph, central offices, carrier equipment, and radio stations. Planning for disposal of such surpluses is necessarily in its infancy, in view of the many uncertainties involved (including the possibility of large movements of equipment to the Far Eastern Theater), but was under way when the Surplus Property Act of 1944 was enacted.

10. Scrap

The Scrap Metal Division has been active primarily in connection with the policies governing sales of scrap becoming available for disposal as the result of contract terminations, since this field has produced the most important problems in connection with the scrapping of property and probably will continue to do so.

In addition to frequent meetings with the interested Government agencies and with representatives of the various scrap industries, periodic field inspections have been made at private plants and installations of the various owning agencies, in order to have first-hand information as to the problems encountered and the effectiveness of the Administration's policies in solving them.

Two major changes relating to sales of scrap have been made in the Administration's price policies for the sale of contract termination inventories, on the recommendation of the Scrap Metals Division. The scrap warranty, originally required to be obtained from all persons buying at scrap prices, has been made optional with the owning agency in sales on competitive bids and remains mandatory only in negotiated sales. In addition, because of a market condition resulting from oversupply, Regulation No. 5 has been issued

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fixing minimum prices on sales of aluminum scrap, and establishing procedures for the storage of aluminum scrap which cannot be sold at those prices. Copies of these documents appear in the Appendix to this report.

Other amendments relating to scrapping procedures and sales were under consideration when the Surplus Property Act of 1944 was enacted, and a small handbook for the guidance of termination officers in making sales of scrap was in preparation.

11. Preparations for Foreign Disposal

On March 16, 1944, the Administration's Committee on Redistribution, Handling and Disposal of Surplus Property (Clay Committee), following the designation of disposal agencies set out in Executive Order 9425 of February 19, 1944, recommended:

"Foreign Economic Administration -- Except in active theaters of military or naval operations, the Foreign Economic Administration will be responsible for the redistribution and disposition of all surplus property located outside the continental United States and its territories and possessions, which the Foreign Economic Administration is prepared to dispose of or to store and maintain, pending disposition."

On April 14, 1944, the Administrator appointed Mr. Leo Crowley, Administrator of the Foreign Economic Administration, as Chairman of a Committee to study the various problems involved in the foreign disposal of surplus war property and to recommend procedure and policies to the Administration. The Departments of State, War, Navy, and Treasury, and the War Production Board, named representatives to serve on this Committee. Mr. Crowley appointed a group of four well-known business men to advise him and the Committee on the type of problems involved in foreign disposal of surplus property. On May 12, 1944, this Business Men's Advisory Committee rendered its preliminary report, a copy of which appears in the Appendix to this report.

Thereafter, the Crowley Committee on foreign disposal of surplus war property held regular weekly meetings for the purpose of studying the Business Men's Advisory Committee report and making its own policy recommendations, which were completed on August 2, 1944, a copy appears in the Appendix.

During this period, SWPA Regulation No. 1 was issued assigning to the Foreign Economic Administration for disposition, all surplus war property of whatsoever nature located outside of the United States, its territories and possessions. Thus the Foreign Economic Administration was named as Foreign Disposal Agency for surplus war property located abroad declared by the War and Navy Departments and the Maritime Commission after May 15, 1944, and by all other government agencies after August 1, 1944.

In the meantime also, Mr. Frederick Pope, who was in London, investigated for Surplus War Property Administration the latest British plans for disposing of their own surplus war property, including a study of various dis-

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posal questions of common interest which might arise. Mr. Pope returned to the United States in June 1944, and submitted a full report on surplus property disposal plans in Great Britain dated June 1, 1944, a copy of which appears in the Appendix.

The Business Men's Advisory report of May 12, 1944, recommended that foreign disposal of surplus be organized in a section of the Foreign Economic Administration with no other responsibilities, the chief of which should be responsible solely to the Administrator of the Foreign Economic Administration; that foreign disposal of surpluses be handled through a Government corporation, with clear-cut direct lines of authority and responsibility. With this understanding, Mr. Crowley appointed Commander Roger Hyatt on June 2, 1944, to take complete charge of FEA surplus disposal activities, responsible directly to Mr. Crowley. Commander Hyatt promptly set about the task of recruiting and setting up such a vertical organization to carry on this widespread and important function; but due to the unavailability of capable men, and to differences of opinion within the Foreign Economic Administration, Commander Hyatt was unable to perfect the type of organization which had been planned. On July 28, 1944, Commander Hyatt resigned and returned to the Navy.

Meantime certain foreign surplus disposal problems have been handled on a day-to-day basis by various members of the Foreign Economic Administration's organization. However, the Foreign Economic Administration expects to organize internally in time to handle the large war surpluses which are likely to be declared after the cessation of hostilities in Europe.

Members of the Foreign Economic Administration and Surplus War Property Administration staffs have collaborated in the preparation of a comprehensive set of working instructions, which were sent to all FEA field disposal officers abroad on September 25, 1944. These field instructions, a copy of which appears in the Appendix to this report, are so drawn as to reflect the policies and principles set out in SWPA Regulations and the recommendations of the Committee on Foreign Disposal of Surplus War Property and include preliminary instructions as to accounting, inventorying, reporting, etc.

The basic policies set forth in the instructions for over-seas disposal of surplus property include the following:

1. United States Government agencies shall have priority in right to purchase surplus property at fair market value.
2. Therafter, surplus property located abroad shall be made available for relief and rehabilitation purposes, provided that the price at which the goods are sold or transferred to the relief organization is equal to the net realization expected to be obtained for similar goods sold through commercial channels or on the open market.
3. In other sales, the original U. S. manufacturer or his authorized representative abroad will receive preference, in case of equal prices and terms.

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4. Every effort shall be made to maintain the customary channels of trade and wherever private exporters or private commercial houses abroad can handle surplus war property in accordance with the over-all policy, arrangements shall be made for them to do so.
5. The Foreign Disposal Agency shall make arrangements with foreign trade and exporters' associations in the U. S. for regular and continuing contact and exchange of advice and suggestions, using industry committees or similar method of contact.
6. The Foreign Disposal Agency, in order to discourage the return of surplus goods to the United States, shall make sales to buyers abroad who will use the goods in their own business over-seas, or whose normal or probably outlets will be outside of the United States.
7. Over-seas disposition shall be for cash United States dollars unless other terms are expressly authorized from Washington.
8. Where it is impossible to arrange with foreign governments to assume under reciprocal aid approved claims or unpaid obligations of the United States, surplus property may be used to settle such claims, where a net benefit to the United States can be so obtained.

To date, the major owning agencies abroad, namely the Army and the Navy, have withheld declaration of surplus in any quantity to the Foreign Economic Administration, pending establishment by the Foreign Economic Administration of organization and procedure for disposition of surplus property located abroad (W.D. Circular 283 of July 8, 1944), and pending official designation of its offices to which surplus should be declared. Meanwhile, foreign disposal of surplus property has proceeded in limited degree by the Army under SWPA regulations and under authority granted by the Military Services to the various Theater Commanders. It is evident that for some time the owning agencies will have to continue disposing of surpluses located over-seas.

The Administrator has filed with the FEA a formal request for a general export license for surpluses located in the United States, to be applicable to as many foreign countries of destination as the State Department will approve. A general export license for government surpluses would eliminate many of the present impediments and delays now encountered in attempting to dispose of burdensome surpluses, without endangering domestic requirements for war production, which would still be protected by War Production Board Regulations. The State Department has heartily endorsed this proposal for a general export license for surplus property as being within the foreign trade policy of the United States. Negotiations toward this

Report to Director of War Mobilization

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end have been proceeding with Foreign Economic Administration since August 9, and substantial progress has been made.

Thanks to the cooperation of the War Production Board, an arrangement is in effect whereunder approved requirements of all foreign programmed commitments will be supplied out of surplus property wherever practicable. Under present conditions, this reduces the impact of such foreign requirements on United States war production facilities, materials and manpower, and at the same time furnishes a satisfactory outlet for surplus property. The requirements of the Fourth Russian Protocol are now being processed by Reconstruction Finance Corporation and Treasury Procurement Disposal Sections and by the War Production Board Foreign Division toward this end. The Army and Navy have also cooperated by agreeing to furnish any materials which they can spare at the moment, on the understanding that the Army and Navy would receive adequate priority in case such materials need to be replaced in military stocks at any time.

Exploratory conversations with the British and Canadian Authorities, under the guidance of the State Department, are getting under way, for the purpose of avoiding any unnecessary conflict in disposal of United States Government surpluses in foreign countries, with particular reference to surpluses which our Armed Forces may declare in Canada, in Great Britain or in the other areas of the British Empire. These discussions are designed to include procedure for disposal of property re-possessed by the United States Government under terms of Article V of the Lend-Lease Agreements. Specific negotiations for the sale to the British Government of Lend-Lease machine tools located in England are under way.

12. Preparations for Disposal to State
and Municipal Governments and Tax-
Supported Institutions.

Early in March the Administrator created a Division to carry out the recommendations of the Baruch Report with a view to planning and organizing in advance the sale of surpluses to the tax-supported entities.

Policy

As stated on page 4 of this report, it was necessary to formulate general overriding policies which would assist the tax-supported entities in acquiring out of surplus as much of the goods they desired to buy as possible. This attitude was taken because the Administration felt it could not without specific direction from Congress either make donations or give price preferences, however meritorious the particular applicant's case might be. Therefore it was necessary in the interim to find other ways of assisting the States and local governments in their acquisitions of surpluses.

One way of helping was to give this class of buyers a chance at the goods before they were offered to the general public. The problem involved here was not to tie up the goods for any longer period than absolutely essential and yet accomplish this objective.

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The Procurement Department of the Treasury, which has acted as the general Government disposal agency in the past, established the following practice which grew out of years of experience: The Federal Government agencies have always been given a first option to purchase any Government-owned goods before these were disposed of to outsiders. The practice was to give a twenty-one-day period in which the Federal agency interested would determine whether or not it wished to purchase the particular merchandise that was being offered for sale. The next step in this procedure was to notify interested tax-supported entities which were adjacent to the location of the goods. They were given an opportunity to acquire such goods as the Federal Government departments did not claim and then the residual balance would be sold to the public.

The Administration continued this procedure as its normal practice, qualifying it, however, by providing that emergencies arising out of the war and calling for prompt public distribution of goods would receive preferential treatment even though this might cut across the above procedure. This has occurred in a few instances where it was essential that trucks be sold immediately in regions where the crops were being harvested.

Market Survey

Numerous meetings were held with the various types of tax-supported bodies throughout the country in order to find out what their desires were and what thoughts they had on how they should be treated in the acquisition of surpluses. The War Production Board, Government Division, which has functioned as allocator for the tax-supported entities during the war, representing their interests as a claimant for goods, was also extremely helpful in giving background and advice.

According to War Production Board statistics the tax-supported entities comprise in total 187,585. This is exclusive of the eleemosynary, charitable and certain non-profit institutions. Roughly, the potential market consists of 200,000 buyers.

TYPES OF BUYERS:

I. Governmental Units:

- A. U. S. Government
- B. States
- C. Counties over 50,000
- D. Counties under 50,000
- E. Cities over 100,000
- F. Cities of 25,000 to 100,000
- G. Cities of 10,000 to 25,000
- H. Cities under 10,000
- I. Townships
- J. School Districts
- K. Special Purpose Districts

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II. Institutions

- A. Colleges, universities, professional schools
- B. Schools for handicapped
- C. Orphanages
- D. Hospitals
- E. Federal Penitentiaries
- F. State Penal Institutions

Under Category I, the War Production Board estimates that 25%, or 37,913, are potential buyers of surpluses. In Category II, the estimate is 60%, or 5,294. The conclusion reached by the Government Division was that only the larger subdivisions or institutions would be buyers of any considerable quantities of any item. Therefore the problem is not only to give the estimated 43,300 substantial buyers the opportunity to buy, but also to enable the smaller units to acquire such merchandise as they might desire.

Plans under Consideration

The goal was to reach these entities in the simplest manner and with sufficient flexibility to enable the potential buyers to make their purchases in the same manner as they normally buy from their regular suppliers. It would be desirable to avoid to the greatest possible extent the necessity of amending existing local ordinances. The one exception which seems to be general throughout the country is the requirement that the entities must buy on competitive bids submitted by prospective sellers. This, of course, is impossible in the disposal of surpluses and in this respect State and local laws and ordinances will probably have to be amended.

Even though the inventorying of the declared surpluses has been decentralized by the various selling agencies, nevertheless the vast quantity of miscellaneous items which will become surplus is so great that the size of any complete list or catalogue would render it unusable from the point of view of the average buyer. In addition to this, the contents would not be static but would change constantly as sales were made and new surpluses declared. It was therefore believed that the only practical means of giving tax-supported entities and local Governments full information would be to have the matter handled by a central body representing the interests of some grouping of tax-supported entities.

Possible solutions to the problem were widely discussed. First, Federal Government Agencies that had special interest in surpluses were consulted, such as the U. S. Office of Education, the U.S. Department of Public Health, The Public Roads Administration, and others. At the same time, permanent liaison between this Administration and such Federal agencies was put into being. The next step was to consult with associations representing various types of tax-supported entities.

A preliminary meeting was had with the Executive Director and working committee of the Council of State Governments and a general arrangement for

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mutual cooperation was discussed. A meeting was also arranged with the U. S. Conference of Mayors which represents some 240 of the largest cities. Contacts were established with the American Municipal Association, the American Hospital Association, and other similar groups. At the Administration's suggestion, the U. S. Office of Education set up a committee designed to represent all the elements of education in the country. Finally, representatives of the Administration visited numerous municipalities and States, for discussions with various officials, particularly the municipal and State buyers who are actively concerned with purchasing problems.

As a result of those investigations the Administration reached the conclusion that the best and simplest method whereby the tax-supported entities could organize themselves would be at State level. In collaboration with the Council of State Governments, a plan embodying the following two principles was evolved:

I. In each State an agency would be formed, at State level, which would act as a clearing house. It would receive from the selling agencies lists of the goods that were available. By breaking down the detailed information into predetermined classifications, the central agency could readily disseminate the useful information to the various institutions in the State. On the other hand, the central agency would gather together from all the political subdivisions and institutions within the State their major anticipated requirements for surplus property. In this manner available surpluses could be matched against requirements and the information quickly disseminated to the interested prospective buyer, which could then examine the goods and close the deal with the relevant disposal agency. Effectively operated, such a central agency would afford a practical mechanism for granting a time preference to the States, political subdivisions and tax-supported institutions which would give them an opportunity to buy the goods before they were offered for sale to the general public.

II. In order to permit the tax-supported entities, insofar as possible, to purchase in accordance with their normal local regulations, credit would be arranged by the Federal disposal agency, the procedure to be as follows:

After the purchaser had negotiated a purchase with the Federal disposal agency, the order would be passed through the central State agency, which would forward it to the disposal agency. That agency would carry out the sale in the agreed manner and would not look for payment until the central State agency had received payment from the political subdivision or institution which was the actual purchaser. This would permit local authorities to inspect the goods received in order to ascertain that they conformed to the order, and would allow payment to be made in the normal way in which that particular buyer did business. The central State agency would also be empowered to act as an intermediary on behalf of the buyer where disputes or misdeliveries arose.

The foregoing plan, though widely discussed, was still in the discussion stage when the Surplus Property Act of 1944 was enacted. There appeared to be general recognition of the desirability of some method of organizing the potential market represented by State and local Governments and tax-supported institutions.

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13. Space Control

In May 1944, the Administrator set up a Space Control Committee "to formulate, coordinate, and supervise all policies and procedures relating to the storage of surplus property awaiting disposition." The fundamental objectives of the Space Control Committee are:

- (1) To eliminate competition among agencies for available storage space,
- (2) To insure maximum utilization of all available storage space,
- (3) To minimize packing, shipping, transportation and other handling costs, and
- (4) To store surplus properties in storage facilities in strategic locations.

The central Space Control Committee is composed of representatives from the Maritime Commission, Navy Department, Procurement Division of the Treasury Department, Reconstruction Finance Corporation, War Department, Public Buildings Administration of Federal Works Agency, and the War Production Board. There are also nine regional subcommittees, with representatives from the same agencies except for the last two. One subcommittee is located in each of the service command areas of the War Department.

A representative of the warehousing industry is attached to each of the subcommittees and consultants have also been named by the Association of American Railroads. The subcommittees maintain listings of all suitable storage space and allocate space to the various Government agencies to meet their requirements. In addition, large centrally located storage centers are being developed, consisting of large areas of hardstanding space where the property stored will be protected by fabricated shelters and large closed areas with adjacent outside space, for use in those cases in which property can be made available for outside storage.

Forms needed to carry out the program of the Space Control Committee have been worked out. Three of these forms have been approved by this Administration: S.W.P.A.-2, Storage Space Requirements; S.W.P.A.-3, Storage Space Procurement Status; and S.W.P.A.-4, Surplus and Industrial Storage Facility Status Report.

The regional subcommittees during August 1944 have submitted nearly sixteen million square feet of space for the consideration of the various agencies against their requirements. Of these submissions, over six million square feet have been accepted and negotiations for acquisition either have been completed or are in process. The agencies have found that seven million two hundred thousand square feet are not suitable to their needs. The current unfilled space requirements at August 31 amounted to five million two hundred forty-seven thousand square feet.

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14. Budget and Expenditures

The Administration has expended or committed itself for total operating costs of \$6,861.59 from February 19, 1944, through August 31, 1944.

Of this amount, \$5,692.91 was expended or committed in the period February 19 to June 30, 1944, the end of the 1944 fiscal year, as follows:

<u>Account No.</u>	<u>Items</u>	<u>Amount</u>
01	Personal Services	\$33,411.29
02	Travel	407.50
04	Communications	1,383.71
06	Printing and Binding	457.00
07	Other contractual services	2,872.63
08	Supplies and materials	1,050.56
09	Office equipment	16,410.17
	Total	<u>\$5,692.91</u>

Of the above amount, \$4,018.65 is represented by bills of the Reconstruction Finance Corporation for services furnished. These bills have not been submitted for payment to the present time. It is possible that the total costs may be increased by approximately \$1,000 representing obligations not yet recorded.

All of these costs are charges against the regular 1944 appropriation for the Office of War Mobilization and the allocation obtained from the Emergency Fund for the President to meet the deficiency.

The War Relocation Administration Act, 1945, provided \$900,000 for the Office of War Mobilization. Of this amount, \$460,000 was earmarked for the use of the Administration.

Based on the program of the office as of the beginning of the fiscal year, an apportionment of this \$460,000 was sought by quarters, as follows:

First quarter	\$116,210.00
Second quarter	110,400.00
Third quarter	112,450.00
Fourth quarter	<u>120,940.00</u>
Total	\$460,000.00

Acting on this request, the Bureau of the Budget approved the apportionments for the first and second quarters, or a total of \$226,610 for operations through December 31, 1944.

As of August 31, 1944, the obligations of the Administration totaled \$39,168.88. The object of expenditures are shown below, against detailed objects budgeted for the first quarter ending September 30, 1944.

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	First Quarter Budget Allotment 7/1/44 - 9/30/44	Expenditures 7/1/44 - 8/31/44
01 Personal services (regular)	46,860.00	18,629.29
01 Personal services (excepted)	25,050.00	10,920.83
02 Travel	7,500.00	5,260.78
04 Communication services	6,000.00	1,500.00
06 Printing and binding	2,500.00	676.00
07.1 Special projects	15,000.00	---
07.2 Other contractual services	2,500.00	1,444.90
08 Supplies and materials	1,000.00	639.63
09 Office equipment	10,000.00	98.56
Totals	116,210.00	39,168.68

The obligations and expenditures to August 31 consisted of recorded obligations amounting to 29,858.82, known unrecorded obligations amounting to 1,910.90 and estimated obligations for services furnished by the Reconstruction Finance Corporation, amounting to 7,398.96.

Up to the present time, obligations are at approximately 50% of the estimated rate for the first quarter. This apparent saving is due to difficulties in recruitment of personnel, the decision to delay a project for the study of warehousing and storing to a later date, the fact that the greater part of the office equipment was procured from 1944 funds, and the fact that certain functions have been staffed with three officers detailed from the Army and six "without compensation" employees.

A detailed breakdown of the personnel of the Administration on August 31, 1944 follows:

Executives:

On excepted funds 7
 On Civil Service 7
 Without Compensation 6
 On Military Detail from Army 3

Total Executive 23

Secretarial, Clerical & Messenger:

On excepted funds (2 temporary stenos) 2
 On Civil Service 23
 On Detail from R.F.C. 7

Total Secretarial, Clerical & Messengers 32

Total All Personnel in STPA 55

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A personnel ceiling of 60 persons, not including those serving without compensation and on military detail, was established by the Bureau of the Budget. Since six persons were serving without compensation and three on military detail from the Army, the total personnel chargeable against the ceiling was 46 on August 31, 1944.

The 55 employees were quartered in three buildings. The Administrator and Deputy Administrator were in the Lafayette Building, and with their staff, accounted for 31 persons. In the Commonwealth Building there were six employees dealing exclusively with matters relating to aviation. In the Municipal Center Building, there were 18 employees.

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10/24

Original to Dr. White to bring in
with him at the 10:45 am meeting tomorrow
in the Secretary's office.

WAR SHIPPING ADMINISTRATION
WASHINGTON

ADMINISTRATOR

October 23, 1944

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

My dear Mr. Secretary:

After mailing my letter of October 11th the Foreign Economic Administration informed us that they have no data whatsoever on British needs during Phase 2. They attribute this lack of information to instructions issued at higher levels, which preclude the initiation of discussions with the British of their requirements during Phase 2.

Since the Foreign Economic Administration is not in position to enter into the joint discussion of the problem with the War Shipping Administration because of the lack of this basic information, we are unable to proceed with the preparation of the estimates you require. We assume, however, that you will consider with Mr. Crowley, ways and means of placing in the Foreign Economic Administration's hands data on British needs so that the assignment which you have given us can be completed with a minimum of delay.

Sincerely yours,



E. S. Land
Administrator

CABLE TO WINANT, LONDON, FOR MANN FROM PEHLE.

Reference WRB no. 12 to London (Department's 8467) of October 13.

Procedure mentioned in foregoing message supersedes procedure outlined in Department's 8488 of October 14 to Aarons. Treasury and State are sending further message to Aarons which will specify procedure I mentioned to you, namely, having JDC make payments to refugees in United States and Palestine against reimbursement in lira by ACC.

Pressure from interested groups continues and I urge you to do everything possible to expedite this matter.

THIS IS WRB LONDON CABLE NO. 16.

9:30 a.m.
October 23, 1944

KEM-209
Distribution of this
reading only by special
arrangement. (SECRET W)

London

Dated October 23, 1944

Rec'd 12:57 a.m., 24th.

Secretary of State,
Washington.

9082, October 23, 5 p.m.

FOR PERHLE FROM HANN

Board should consult World Trade Intelligence
Division State Department relative to paragraph numbered
Three of telegram 9068, October 21 from London to
determine whether proposals made therein relative to
dealings in dollar and pound sterling currency will
adversely affect boards program in area concerned.

WINANT

JMS

Rome

Dated October 23, 1944

Rec'd 10:42 a.m. 24th.

Secretary of State,
Washington.

583, October 23, 3 p.m.

Following for Joseph Schwartz American Joint
Distribution Committee New York from Arthur Greenleigh.

Have just received notice of opportunity to send
to Palestine from Italy nine hundred persons each
month for the next several months. Arrangements
being made to fully utilize this opportunity. Have
simultaneously notified Lisbon of this and am
forwarding by letter more details. More necessary
than ever that financial exchange for those who
emigrate to Palestine be facilitated. Best wishes
from us both.

NRK

RR

LC- 105

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

Jerusalem

Dated October 23, 1944

Rec'd 7:50 p.m.

Secretary of State,

Washington.

159, October 23, 5 p.m.

Meilich Neustadt requests that the following message be transmitted to Dawid Weitheim Paole Zion Organization, 45 East 17th Street, New York:

"Danger deportation Slovakian Jews all in concentration camps their situation bad. 1800 Jews were freed from Novacky Camp by Partisans and at once Chalutzim among them joined Partisans. According to information from Hungary only few hundreds (?) have been incorporated in camps under the protection of Red Cross and Jewish community. Swiss and Swedish offices in Hungary helping and protecting according to their possibilities. After several weeks interruption the Hungarian-Italian commando appeared Budapest end of September. Our friends could intervene only for a short time. They informed Red Cross and Pope. Our friends in

-2- #159, October 23, 5 p.m., from Jerusalem

friends in Rumania inform pursue work enlarged scope resuming newspaper TRIBUNA NOASTRA. In Bulgaria Jewish Shatfanim try affix their seal on Jewish life they took possession consistory. Our friend endeavor renew work and safeguard Zionist interests. Reference Mereminsky inquiry to Benguion on Bengurion collaboration with Otetsch Estwen front now only possibility for whatever political or organizational activity. Communists Social Democrats, Peasant Party and Right Party personalities participate this front. Party council met at Paris decided publish Yiddish and French weeklies, party activity also resumed Belgium. Received cables Tatrak over Segal reference travel Rumania presently journalists only allowed perhaps TOG of other newspaper appoint me its correspondent and then recommendation necessary to United States Legation Istanbul and also Jerusalem viewing urging Turkish visa also Palestine exit".

PINKERTON

WMB

CABLE TO NORWEB, LISBON, FOR DEXTER FROM WAR REFUGEE BOARD

Please deliver the following message to Robert Pilpel from the
American Jewish Joint Distribution Committee:

QUOTE FOR YOUR INFORMATION FOLLOWING MESSAGE WAS SENT TO SALLY
MAYER ON OCTOBER 11:

SINGLE QUOTE REMITTING TO YOU \$178,000 UNDER SPECIAL
LICENSE W-2106 TO BE UTILIZED IN CONNECTION HUNGARIAN
AND SLOVAKIAN SITUATION SINGLE QUOTE

WE ALSO SENT MAYER \$45,000 FOR SHANGHAI UNQUOTE

THIS IS WRB LISBON CABLE NO. 109.

3:05 p.m.
October 23, 1944

RP-4
Distribution of true
reading only by special
arrangement. (SECRET W)

Lisbon

Dated October 23, 1944

Rec'd 2:53 p.m.

Secretary of State,
Washington.

3225, October 23, 4 p.m.

WRB 229. UNITARIAN 355. FOR CHARLES JOY FROM
ELISABETH DEXTER.

Seven Spanish Republicans arrested yesterday.
General round up and deportations likely. Unless
Mexican visas authorized soon may be too late. Tele-
graph reply urgent.

RECEIVED

JT

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, San Salvador
TO: Secretary of State, Washington
DATED: October 23, 1944
NUMBER: 341

CONFIDENTIAL

In a note backdated to October 17 but received only today, former Foreign Minister Dravila, declares that his Government authorizes the United States Government to compile lists of persons claiming Salvadoran citizenship and without prior reference to the Salvadoran Government to send them to the Swiss Government in accordance with the Department's Circular Airgram of September 18.

GADE

DCR:MAS:EFR 10/25/44

CABLE TO AMEMBASSY, MADRID, SPAIN

The following is the substance of a cable received from Amlegation Bern under date of October 19:

QUOTE I am informed that courier recently arrived Switzerland from Bratislava reports that 300 to 400 Jews holding Latin American documents arrested in Bratislava were first interned as result intervention Central Jewish office at Mariathal near Bratislava. On or about October 8 they were summarily transported, it is believed to Germany. Courier declared that Slovak Government knows where they have been taken. Apparently about 90 were bearers El Salvador nationality certificates balance Paraguayan passports. UNQUOTE

The Vatican is aware of this situation and may communicate to you directly any additional information bearing on the matter.

Without, however, awaiting information from Vatican, you are requested immediately to approach Spanish Government with the suggestion that as protective power for Paraguay, it would be appropriate for Spain to take immediate steps to protect the Paraguayan passport-holders among the deportees from Slovakia. Specifically, it is suggested that Spanish government may find it possible (a) to inquire of the German government of the truth of the report that Jews from Slovakia in possession of documents issued in the name of Paraguay have been removed to Germany or areas under German control, (b) to inquire of the German government of the destination of such persons, (c) to declare to the German government that such persons fall under the protection of Spain as protecting power, and (d) to request German government to afford Spanish authorities immediate facilities for exercising such protection.

2:00 p.m.
October 23, 1944

CABLE TO AMEMBASSY, MADRID, FROM DEPARTMENT AND WAR REFUGEE BOARD

Reference is made to your 3488 of October 18 and appreciation is expressed of your initiative reported therein.

For your information, the following is the substance of a letter written by Spanish Ambassador in Washington to representative of a Jewish welfare organization on October 13:

QUOTE I am glad to inform you that I have just received a cable from my Government directing me to tell you that, although Spain has been doing all in her power to ameliorate the Jewish present situation, is very pleased now to grant the request of the Vaad Hahatzala. To this effect, special instructions have been given to the Ambassador in Berlin to take with all speed and interest the necessary steps tending to the defense of the Jewry and to the special protection of the Spanish-American Jews, emphasizing that this help is not only to be extended to those citizens of countries which have entrusted Spain with their protection, but also to those of all other countries.

QUOTE I am also authorized to inform your Committee that the Spanish Government has always made all possible efforts to protect the Sefardites of Spanish nationality now interned in German concentration camps, though, unhappily, not always with the desired results. Nevertheless, it is gratifying to point out that, due to the Spanish intervention, several hundreds of them have been able to reach Spain in safety and to leave afterwards in complete freedom for their other destinations. UNQUOTE

Please advise Department and Board whether such instructions mentioned in foregoing letter have been issued and are being carried out.

2:00 p.m.
October 23, 1944

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

Reference Department's 1313 of July 1, Department's 1502 of July 28 and Department's 1576 of August 8, 1944.

American Relief for Norway has asked Board for report on use of funds being remitted to you for this special project at the rate of \$10,000 per month. Please cable report to WRB.

THIS IS WRB STOCKHOLM CABLE NO. 220.

9:30 a.m.
October 23, 1944

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, Stockholm
TO: Secretary of State, Washington
DATED: October 23, 1944
NUMBER: 4314

CONFIDENTIAL

See your 4020, October 21, to Department repeated to Stockholm as No. 3 and your clear unnumbered wire of the same date. The message given below has been transmitted to Moscow as 42, dated 23rd of October.

Attention Kennan:

The following is for your personal information: Between the seventh of June and the twenty-fifth of September under the auspices of the War Refugee Board certain rescue operations in the Baltic were carried on. After that time operations ceased because position of Germans in the Baltic had become so hopeless that the representative of the War Refugee Board desired to protect himself against the possibility of taking part in the rescue of individuals who might be collaborators with the Nazis. Individuals who contrived to escape to Sweden from the Baltic countries through the facilities of the War Refugee Board were refugees from German persecution although there may have been anti-Russian persons among them. The total of the entire operations affecting the three Baltic countries was only 200,000 kroner most of which went for transportation purposes. The NYDAG article which was reproduced in untrue, speculative and provocative. No connection with the so-called Estonian Government is had by any employee of the Legation.

I have been informed by Madam Kollontay with whom I have had a complete discussion of the matter, that a correction to Moscow has been sent by her. The NYDAG article appears to disturb her very much and she informs me that she has administered a strong reprimand to the editor. Our belief here is that the article was not inspired from Russian sources but is largely tied up in a tangle of internal Swedish politics arising from the efforts of the Swedes to bring Estonian Swedes here concerning which you were informed by Swedish Minister. To NYDAG article I have made no answer and I do not anticipate making any comment or answer to it.

See my 4231, October 18, 1944.

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
 TO: American Legation, Bern
 DATED: October 23, 1944
 NUMBER: 3606

SECRET

To Minister Harrison and McClelland.

Reference your 6839 to Department of October 13 concerning Slovakia.

The following is the text of a communication received from the Apostolic Delegate in Washington under date of October 14:

QUOTE I have received the following communication from the Secretariate of State, Vatican City: The Holy See has continued its efforts in favor of the Jews in Slovakia. According to the Apostolic Nunciature in Bratislava, on October 6th the Minister of Foreign Affairs notified the German Legation that the Slovak Government could not consent to the deportation of Jews since they are under the protection of the Constitution and Laws of Slovakia.

QUOTE Likewise, Mr. Carol Sider wrote as follows to the Vatican: Jews having American citizenship, who have asked the protection of the Slovakian Government, have been gathered together and are living in a castle at Marianka where they are protected by Slovak police.

QUOTE Referring to your letter of September 21, 1944, I wish to say that the Secretariate of State assures me that your message for Dr. Tise has been transmitted to the Apostolic Nunciature in Bratislava. UNQUOTE

Carol Sider is understood to be a member of the Tise cabinet. The "message for Dr. Tise" was a repetition of previous warnings of the position this Government takes with respect to the deportation and other persecution of Jews. "Jews having American citizenship" is assumed to mean Jews holding passports and other documents issued in the names of American republics or otherwise claiming the nationality of an American republic.

This is VEB Bern cable No. 226.

HULL

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: October 23, 1944
NUMBER: 3607

SECRET

FOR MCCLELLAND FROM PEHLE.

For your information the Swiss Minister in Washington recently asked the Board how his government could be of any help in the serious Jewish situation in Hungary and at Oswiecim and Birkenau. He was advised confidentially of the steps which have been taken by the Swedes. He has promised to notify his government of this and to suggest to the Swiss Government that it take action parallel to that taken by the Swedes.

Please support this matter to the extent possible.

THIS IS WRB BERN CABLE NO. 230.

STETTINIUS
(Acting)

CABLE TO MINISTER HARRISON AND MCCLELLAND, BERN, SWITZERLAND

Information and suggestion contained in your 6938 of October 19 are appreciated. Vatican is being approached accordingly and has been asked to communicate information to you directly.

Without, however, awaiting Vatican's reply, you are requested immediately to approach Swiss government (alone or jointly with Salvadoran representative, if his cooperation can be secured without delay) requesting it as protective power for Salvador and certain other American republics to take immediate steps to protect the persons concerned in line with Department's 1181 of April 7, 1221 of April 10, 1921 of June 6, 2490 of July 21, 3180 of September 14, and all other communications regarding holders of Latin American documents. Specifically, it is suggested that Swiss government may find it possible (a) to inquire of the German government of the truth of the report that Jews from Slovakia in possession of documents issued in the name of Salvador and other American republics have been removed to Germany or areas under German control, (b) to inquire of the German government of the destination of such persons, (c) to declare to the German government that such persons fall under the protection of Switzerland as protecting power, and (d) to request German government to afford Swiss authorities immediate facilities for exercising such protection.

In view of large proportion of Salvadoran passport-holders among deportees reported in your 6938, Salvadoran declaration communicated in your 3871 of June 17 paragraph six will undoubtedly facilitate your task.

Amembassy Madrid is being similarly approached regarding Paraguayan passport holders.

THIS IS WRB BERN CABLE NO. 236.

2:00 p.m.
October 23, 1944

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: October 23, 1944
NUMBER: 7022

SECRET

Repeated to Rome.

The Italian Government has been informed by its Minister in Bern that the Swiss Federal Council has agreed to admit into Switzerland all Italian civilian and resistance group refugees from the Dossola Valley. These refugees number more than 7,000 now. The reoccupation of Demodossola by Germans and neo-Fascists was carried out with well-armed units following the plan of Marshal Graziani. In number and equipment the patriots were entirely inferior.

HARRISON

DCR:MAC 10/25/44

October 23, 1944
1 p.m.

AMBASSY,
ANKARA.
925

The cable below for Steinhardt and Kataski is WRB 120.

Reference your 1976 to Department, your 164 to WRB of October 14.

The following is the text of a communication received from the Apostolic Delegate in Washington under date of October 14;

QUOTE I have received the following communication from the Secretariat of State, Vatican City: INNERQUOTE The Holy See has continued its efforts in favor of the Jews in Slovakia. According to the Apostolic Nunciature in Bratislava, on October 5th the Minister of Foreign Affairs notified the German Legation that the Slovak Government could not consent to the deportation of Jews since they are under the protection of the Constitution of Laws of Slovakia. END INNERQUOTE

Likewise, Mr. Carol Sidor wrote as follows to the Vatican: INNERQUOTE Jews having American citizenship, who have asked the protection of the Slovakian Government, have been gathered together and are living in a castle at Marianka where they are protected by Slovak police. END INNERQUOTE

Referring to your letter of September 21, 1944, I wish to say that the Secretariat of State assures me that your message for Dr. Tiso has been transmitted to the Apostolic Nunciature in Bratislava. UNQUOTE

Carol Sidor is understood to be a member of the Tiso cabinet. The QUOTE message for Dr. Tiso UNQUOTE was a repetition of previous warnings of the position this Government takes with respect to the deportation and other persecution of Jews. QUOTE Jews having American citizenship UNQUOTE is assumed to mean Jews holding passports and other documents issued in the names of American republics or otherwise claiming the nationality of an American republic.

STEFANINUS
(ACTING)
(GIM)

WRB:MMV:QWH
10/20/44

HE

OE

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SECRETOPTEL No. 344

Information received up to 10 a.m., 23rd October, 1944.

1. NAVAL

AEGEAN. On 16th Coastal forces landed troops Lemnos. Mudros captured next day. Germans withdrew by sea in a Siebel Ferry, an E-boat and 9 caiques, four of which were driven ashore and remainder suffered heavy casualties. Later the Siebel Ferry and E-boat returned to fire on our positions ashore before again withdrawing. On 20th carrier-borne aircraft bombed Kos. Bad weather prevented unloading at Piraeus but it was resumed in fine weather on 21st.

2. MILITARY

WESTERN EUROPE. Slight German withdrawals in extreme western sector Nijmegen Bridgehead have resulted in local gains between Lower Rhine and Waal. Strong British attack towards Hertogenbosch launched 6:30 a.m. 22nd. Good progress made and forward troops now within four miles of the town. Attack northwards from Antwerp continued. Esschen occupied following an advance of over three miles. Canadians have captured Breskens and have entered the fort N.W. of the town against light opposition.

ITALY. Heavy rain has swollen the Savio preventing passage of supporting arms to our troops across the river. Heavy enemy fire is preventing bridging. Canadians have captured Cervia and advanced a short distance beyond. South of Cesena Indian troops have made gains westwards.

RUSSIA. In the Petsamo area Russians have reached the Norwegian frontier. They have made considerable advances north of Debrecen capturing Nyireghaza and also in Szeged area, including capture of Sombor. West of Belgrade they have forced the river Sava and advanced some 20 miles S.W. along the south bank.

BURMA. Our forces have captured Mohnyin about 55 miles S.W. of Mogaung on the railway to Katha.

3. AIR OPERATIONS

WESTERN FRONT. 22nd. 97 escorted Lancasters bombed Neuss - 522 tons - through cloud without loss. 1,017 U.S. heavy bombers bombed M.T. Works at Brunswick - 388 tons, and Hanover 447, and railway centre Munster - 864. Pathfinder technique employed. 785 fighters (3 missing) provided support. Four Fortresses lost in collisions. 595 fighter bombers and fighters (3 missing) supported our ground forces. 22nd/23rd. 49 Mosquitoes attacked Hamburg. 39 heavy bombers laid sea mines.

MEDITERRANEAN. 20th/21st. 66 heavy bombers (5 missing) dropped 149 tons on Szombathely airfield Hungary. 21st. Railway centres at Szombathely and Gyor very successfully attacked by 104 Liberators without loss. 75 fighters destroyed 22 locomotives and damaged a considerable quantity of rolling stock N.E. of Budapest. 34 Mustangs (1 missing) shot down two enemy aircraft and scored 37, 0, 17 on the ground in attacks on two airfields Hungary. 573 aircraft (3 missing) attacked objectives in the battle area with excellent results.