

DIARY

Book 781

October 10-12, 1944

- A -

	Book	Page
Axis Capital, Flight of		
See Foreign Funds Control		

- B -

Bretton Woods Conference
See Post-War Planning: Burgess speech
Burgess, W. Randolph
See Post-War Planning: Bretton Woods Conference

- C -

Chance, Wade		
See Post-War Planning: Germany		
China		
Central Bank's Gold Selling Policy: Details of criticisms requested of Treasury Attache' - 10/10/44....	781	103
a) Friedman reply - 10/15/44: See Book 782, pages 119,122		
b) Army Service Forces asked to arrange shipment - 10/20/44: Book 783, page 86		
Financial report - 10/12/44.....		288
Coast Guard		
See Morgenthau, Henry, Jr.		

- D -

Democratic Campaign of 1944		
Unemployment Program (also known as "Economic Bill of Rights"):		
Speech by FDR planned by HMJr, Gaston, White, and Robert Nathan - 10/11/44.....		129
Dumbarton Oaks Conference		
See Post-War Planning		

- E -

Elsou, Bertha L.
See Library of Congress

- F -

Foreign Funds Control		
Flight of Axis capital - latest steps to control outlined by White 10/11/44		188
France		
United States Policy Committee for French Empire Economic Affairs outlined by Foreign Economic Administration - 10/11/44.....		190

- L -

	Book	Page
Lend-Lease		
U.S.S.R.: Availability of cargo for October - 10/10/44...	781	72
United Kingdom		
Phase 2: Rehabilitation of south-east coast towns - report sent to HMJr by Keynes - 10/11/44.....		176
a) Returned to Keynes - 10/19/44: See Book 783, page 242		
Federal Reserve Bank of New York statement showing dollar disbursements, week ending October 4, 1944 - 10/12/44.....		262
Library of Congress		
Elson, Bertha L., bequest approved by HMJr - 10/11/44....		166

- M -

McConnell, Robert E.		
Future assignments discussed by 9:30 group - 10/11/44....		144
Morgenthau, Henry, Jr.		
Coast Guard plane: New pilot (Kincaid) assigned to HMJr's plane - 10/10/44.....		1

- P -

Post-War Planning		
Bretton Woods Conference: Burgess, W. Randolph, speech before National Foreign Trade Council - 10/11/44.....		169
Dumbarton Oaks Conference: Proposals for the establishment of a general international organization sent to HMJr by Hull - 10/10/44.....		12
Germany: Wade Chance plan for post-war treatment of Germany sent to FDR - 10/12/44.....		256
Procurement Division		
Purchase contracts for all programs for current fiscal year summarized by Mack - 10/10/44.....		47

- R -

Roosevelt, Franklin D.
See Democratic Campaign of 1944

- U -

Unemployment Program
See Democratic Campaign of 1944
U.S.S.R.
See Lend-Lease
United Kingdom
See Lend-Lease: United Kingdom - Phase 2

- W -

War Refugee Board		
Report for week ending September 30 - 10/10/44.....		80



THE COMMANDANT OF THE UNITED STATES COAST GUARD

WASHINGTON

10 October, 1944

*Very phone
Adm Waesche
he approved
10/11/44.*

MEMORANDUM FOR SECRETARY MORGENTHAU

If it meets with your approval, it is desired that Commander R. E. McCaffery be relieved as pilot of plane #-12453. McCaffery is to be assigned as Commanding Officer of Coast Guard Air Station, St. Petersburg, Florida.

Lieutenant J. W. Kincaid, a competent and experienced pilot, has been selected as the relief for McCaffery. He is being thoroughly trained and indoctrinated as pilot of the plane #-12453 so that this change should not inconvenience you in any way.

R. R. WAESCHE

II - Chicago *Draft from which reading copy was made*
10-6-44 2
War Bond Speech No. 2
Secretary Morgenthau
Chicago, Illinois
10-10-44

Wars, now as always, are won on battle fields. But in modern war, which is total war, the Home Front is intimately involved. Economic stability at home is one of the absolute requisites to victory. For without economic stability it is impossible to maintain the vast and complex flow of supplies necessary for the men on the fighting lines.

It has been the task of the Treasury Department to finance the costliest war in history. I should like this afternoon to review with you in some detail the manner in which this task has been executed. Our problem has been something much more difficult than the mere raising of vast sums of money. ~~even of sums so tremendous as those required for the present conflict.~~ The nub of the problem has been to raise these sums in such a way as to ~~maintain stable economic conditions at home~~ ~~in such a way, in other words, as to~~ strengthen, rather than weaken, the national economy.

Half of the total resources of the United States are now being devoted to waging war. Since Pearl Harbor, war expenditures have amounted to about 208 billion dollars. During this same period, non-war expenditures have been kept down to 16 billion

dollars, making a total government outlay for the course of the war to date of 224 billions. ~~Where~~ Where has this tremendous sum come from? Well, 87 billion dollars, or 39 percent of the total bill, has come from revenue. (~~For the sake of comparison, it may be pointed out that World War I was financed only 29 percent from revenue.~~)

During the fiscal year just ended, expenditures were slightly more than 95 billion dollars and net receipts climbed to a little over 44 billions, or 46 percent. This means that there has been an upward trend in our coverage of war costs through taxation. It is a trend which may be surprising to some and which certainly should be encouraging to all.

I want to put some emphasis on this trend since there have been charges of late that the Treasury has confused the public by persistent increases in the tax burden. In the year ended June 30, 1940, the last fiscal year before the beginning of the defense program, net Treasury receipts were slightly less than 5 1/2 billion dollars. The 44 billion-dollar total which, as I have just told you the Government took in during the past year, was an eight-fold increase -- a larger increase than has taken place in the revenue collection of any other major belligerent of this war. This is an important thing to remember in international comparisons because the burden of taxation must be measured not

only by its absolute magnitude but also by its rate of increase.

Now, I do not think there has been anything confusing about this. The American people, recognizing the need for greatly increased Government revenues, have submitted to the highest taxes in the nation's history with remarkable good grace and good cheer. A sharp rise in taxes was absolutely necessary for the maintenance of economic stability.

But even after these record collections there remained the giant sum of ~~135~~¹³⁷ billion dollars, expended during the last three years, that had to be raised through some other means than taxation.

This money had to be raised by borrowing. It would have been relatively easy, of course, to raise it by borrowing from the banks. But in order to avoid inflation, it was essential that a large part of the increased debt be borrowed outside of the banking system -- that is from the general public.

In selecting the Serie E Bonds as our primary vehicle for mass borrowing, we had in mind first of all the protection of the interests of the small investor. ~~These Serie E Bonds, non-negotiable, and now payable upon demand sixty days after issue date at any bank, were tailored to meet the needs of the average American citizen able to set aside modest savings for investment purposes. I need hardly remind this audience that by their nature they were guaranteed against fluctuations in market value and that their investment yield, if held to maturity, is 2.9 percent, the highest obtainable on any United States Government obligation.~~

2nd
Page

The Treasury Department has considered itself a trustee for the ~~inexperienced investors~~ ^{men and women} who purchased Government Securities primarily to help ^{their} his country in time of stress. Such ~~an~~ investor places ^{their} his faith in ^{their} his Government. We wanted, therefore, to protect ^{them} him, through a non-negotiable Bond, against the kind of liquidation which, experience shows, develops among small holders of securities in the event of a decline in market value.

After World War I, Liberty Bonds dropped in value down into the 80's, and many persons who had bought them during the War became frightened and sold them. They discovered later that their loss had been the gain of the speculators and the wealthy who then owned their Bonds and gleaned from them truly handsome dividends on the safest security in the world. It is not unnatural that they should have felt that their trust in their Government had been betrayed.

The Series E Bonds have another virtue which will be of benefit not only to those who have purchased them but to the entire national economy. When the war is over they will provide an invaluable backlog of purchasing power.

I don't think that these Bonds are going to be redeemed in a sudden deluge immediately after V-Day. On the contrary,

I feel confident that most of those who bought them will make every effort to hold them to maturity. But possession of the Bonds will give to these people a sense of security about the future which will permit them to spend their current incomes more freely than would otherwise be possible. We shall find this purchasing power immensely helpful during the reconversion period. It will prove, I am certain, a vital asset in warding off the sort of deflation which struck this nation so disastrously in 1920 and 1921 when we turned from War to peace production.

Our fiscal policy of siphoning off excess buying power by taxing and borrowing from the general public has been one of two buttresses supporting the structure of economic stabilization. The other buttress, of course, has consisted of direct controls including rationing, price ceilings, allocations, etc.

During this war the country has devoted twice as large a proportion of its resources to war purposes as in World War I. In consequence, inflationary pressures have been very much greater. The fact is, however, that prices have been held under much closer control. Based on actual studies of price changes in World War I as compared with World War II, the savings to the Government, as a result of more effective control of

inflationary pressures, has already amounted, by June 30 of this year, to 70 billion dollars.

But the greatest and most important saving has been that among the people themselves. In the course of this war there has been comparatively little of the reckless kind of silk shirt buying that took place as a result of inflated pay envelopes during World War I. There has been very little recourse to black markets. Instead, people have used their incomes, in considerable measure, to pay off their debts. Since the beginning of 1942, for example, farm mortgages have been reduced 15 percent. It is fair to say, I think, that the War Bond program, by its encouragement of thrift, has contributed significantly to this sensible restraint in the expenditure of surplus income.

Of course, there have been other benefits of economic stabilization, too. The success of this policy has aided in preventing the piling up of excessive profits by fortunate business concerns, has helped to reduce industrial disputes to a minimum -- and here I refer you to the factual record rather than the headlines -- has prevented the impoverishment of recipients of fixed incomes including soldiers' dependents; and probably most important of all, it has averted what otherwise

- 7 -

would have been almost a certainty, the likelihood of a post-war depression.

I have discussed the problems of War Finance and economic stabilization in such detail because I feel that you have been and must continue to be vital partners in their solution. The record so far is one of which we can all be proud. It has been good in its accomplishments, perhaps even better in the fine cooperation which made these accomplishments possible. If this same tireless, unselfish cooperation is applied to the problems of the post-war world, we need have no fear of the future.

But the kind of post-war world which we desire must still be hacked from the enemy on the fields of battle. The time has not yet come for us to indulge in day dreaming or celebration. I am not going to offer any predictions about the end of the war in Europe. I should like to remind you, however, that much more competent military authorities than I have declared that even after the European war is won it will take us at least a year and a half to subdue our enemy in the far East. The war that faces us there is bound to be a long and tough and costly one -- in certain respects more costly than the war against Germany.

The Japanese have the asset of interior lines of

~~communication. In order to crack these we shall have to move men and supplies across the tremendous distances of the Pacific. We can afford no let down in our production of ships and planes and munitions until the Eastern end of the Axis has been beaten into unconditional surrender.~~

Let me remind you, too, that war expenditures do not stop abruptly with enemy capitulation. During the first six months following the armistice in World War I, expenditures were slightly greater than during the six months preceding the Armistice. Completed and partially completed products must be paid for. Enemy countries must be occupied. Some relief for Allied Nations will certainly be necessary. The Armed Forces must be brought home and demobilized and, in the meantime, they must be paid and clothed and fed. I am sure that no American will want to fail in these responsibilities. They are costs that must be met if we are to make our victory complete and real. And like the costs of the war itself they must be met in such a way as to preserve and promote the stability of our economy.

The Sixth War Loan campaign, immediately ahead of us, is one essential step in the performance of this job. ~~(Frankly, I think there is no doubt at all that we shall have to have a seventh loan before we can think of getting back to normal.)~~

Your job is to ~~make the people of America understand this~~ to overcome any disposition among ~~them~~ *the American people* to relax before final victory has been achieved.

I know that you will do this job as you have done the job in the past. The success of the War Bond program up to the present time has been your handiwork. It has been brought about because you tackled it with fervor and resourcefulness and devotion. I know that you have done your job only at real sacrifice of time and comfort and self-interest. And I know also that the only reward that you have sought for your services has been the knowledge that you have played an indispensable part in the nation's progress to victory. I convey to you the very warm thanks of the Treasury Department, and I know that the work which you have done commands the gratitude of all of your fellow Americans.

October 10, 1944.

Chronology of first press articles about "Morgenthau Plan" for treatment of Germany.

(1) Drew Pearson in his column of September 21 told of the President's indignation at the lenient provisions of a handbook of instructions for civil administrators to be assigned to Germany. On Thursday, August 31, he demanded definite recommendations for a policy on Germany which he took with him to Quebec.

(2) Arthur Krock in the New York Times of September 22 cited the fact that Secretary Morgenthau, not the Secretary of State, was the only Cabinet officer summoned to go to Quebec and asked himself the question: "Does this mean that Mr. Morgenthau has become the President's adviser on foreign affairs instead of Mr. Hull?" His answer was that this was partly true, that Secretary Morgenthau had made recommendations to the President about the treatment of Germany after the war and they were so much to the President's liking that the President asked Morgenthau to go to Quebec. The article carries the implication that the proposals of Secretary Morgenthau are of a stern character and the State Department disagrees with them.

(3) The Wall Street Journal in an article published on the morning of September 23, by Alfred F. (Mike) Flynn, purports to give the substance of the proposals by Secretary Morgenthau for the treatment of Germany. The article contains a paragraph: "On the industrial side, the Treasury plan would change Germany's whole economic system; the chief source of livelihood would be agriculture." Contains additional paragraph: "Supporters of the Treasury plan agree this would not be adequate to support the German population except on a starvation economy. They say it would encourage more than 30 million persons to move to other portions of the world and that this, in itself, would be a major contribution to future peace."

(4) The New York Times and other papers of September 24 carried an Associated Press article dated Washington, September 23, which contained substantially the same information as the Flynn article in the Wall Street Journal of the preceding day.

25

October 10, 1944.

My dear Mr. Secretary:

Your letter of October 9, which transmitted a copy of the paper prepared during the Conversations at Dumbarton Oaks, has been received during the Secretary's absence from the city. You may be sure that your letter and the Report will be brought to Mr. Morgenthau's attention immediately upon his return to the office.

Sincerely yours,

(Signed) H.S. Klotz

H. S. Klotz,
Private Secretary.

Honorable Cordell Hull,
Secretary of State,
Washington, D. C.

KP/dbs

THE SECRETARY OF STATE
WASHINGTON

October 9, 1944

My dear Mr. Secretary:

I take pleasure in sending you herewith a copy of the paper prepared during the Conversations at Dumbarton Oaks. Identic papers have been sent to their respective governments by the British, Soviet, and Chinese groups.

Sincerely yours,

Cordell Hull

Enclosure:
Report.

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

October 7, 1944

PROPOSALS
FOR THE ESTABLISHMENT OF
A GENERAL INTERNATIONAL ORGANIZATION

There should be established an international organization under the title of The United Nations, the Charter of which should contain provisions necessary to give effect to the proposals which follow.

-2-

Chapter I

PURPOSES

The purposes of the Organization should be:

1. To maintain international peace and security; and to that end to take effective collective measures for the prevention and removal of threats to the peace and the suppression of acts of aggression or other breaches of the peace, and to bring about by peaceful means adjustment or settlement of international disputes which may lead to a breach of the peace;
2. To develop friendly relations among nations and to take other appropriate measures to strengthen universal peace;
3. To achieve international cooperation in the solution of international economic, social and other humanitarian problems; and
4. To afford a center for harmonizing the actions of nations in the achievement of these common ends.

Chapter II

-3-

Chapter II
PRINCIPLES

In pursuit of the purposes mentioned in Chapter I the Organization and its members should act in accordance with the following principles:

1. The Organization is based on the principle of the sovereign equality of all peace-loving states.
2. All members of the Organization undertake, in order to ensure to all of them the rights and benefits resulting from membership in the Organization, to fulfill the obligations assumed by them in accordance with the Charter.
3. All members of the Organization shall settle their disputes by peaceful means in such a manner that international peace and security are not endangered.
4. All members of the Organization shall refrain in their international relations from the threat or use of force in any manner inconsistent with the purposes of the Organization.
5. All

-4-

5. All members of the Organization shall give every assistance to the Organization in any action undertaken by it in accordance with the provisions of the Charter.

6. All members of the Organization shall refrain from giving assistance to any state against which preventive or enforcement action is being undertaken by the Organization.

The Organization should ensure that states not members of the Organization act in accordance with these principles so far as may be necessary for the maintenance of international peace and security.

Chapter III

-5-

Chapter III

MEMBERSHIP

1. Membership of the Organization should be open to all peace-loving states.

Chapter IV

-6-

Chapter IV
PRINCIPAL ORGANS

1. The Organization should have as its principal organs:

- a. A General Assembly;
- b. A Security Council;
- c. An international court of justice; and
- d. A Secretariat.

2. The Organization should have such subsidiary agencies as may be found necessary.

Chapter V

-7-

Chapter V
THE GENERAL ASSEMBLY

Section A
COMPOSITION

All members of the Organization should be members of the General Assembly and should have a number of representatives to be specified in the Charter.

Section B
FUNCTIONS AND POWERS

1. The General Assembly should have the right to consider the general principles of cooperation in the maintenance of international peace and security, including the principles governing disarmament and the regulation of armaments; to discuss any questions relating to the maintenance of international peace and security brought before it by any member or members of the Organization or by the Security Council; and to make recommendations with regard to any such principles or questions. Any such questions on which action is necessary should be referred to the Security Council by the General Assembly either before or after discussion. The General Assembly should not on its own initiative make recommendations on any matter relating

-8-

relating to the maintenance of international peace and security which is being dealt with by the Security Council.

2. The General Assembly should be empowered to admit new members to the Organization upon recommendation of the Security Council.

3. The General Assembly should, upon recommendation of the Security Council, be empowered to suspend from the exercise of any rights or privileges of membership any member of the Organization against which preventive or enforcement action shall have been taken by the Security Council. The exercise of the rights and privileges thus suspended may be restored by decision of the Security Council. The General Assembly should be empowered, upon recommendation of the Security Council, to expel from the Organization any member of the Organization which persistently violates the principles contained in the Charter.

4. The General Assembly should elect the non-permanent members of the Security Council and the members of the Economic and Social Council provided for in

Chapter

-9-

Chapter IX. It should be empowered to elect, upon recommendation of the Security Council, the Secretary-General of the Organization. It should perform such functions in relation to the election of the judges of the international court of justice as may be conferred upon it by the statute of the court.

5. The General Assembly should apportion the expenses among the members of the Organization and should be empowered to approve the budgets of the Organization.

6. The General Assembly should initiate studies and make recommendations for the purpose of promoting international cooperation in political, economic and social fields and of adjusting situations likely to impair the general welfare.

7. The General Assembly should make recommendations for the coordination of the policies of international economic, social, and other specialized agencies brought into relation with the Organization in accordance with agreements between such agencies and the Organization.

8. The

-10-

8. The General Assembly should receive and consider annual and special reports from the Security Council and reports from other bodies of the Organization.

Section C
VOTING

1. Each member of the Organization should have one vote in the General Assembly.

2. Important decisions of the General Assembly, including recommendations with respect to the maintenance of international peace and security; election of members of the Security Council; election of members of the Economic and Social Council; admission of members, suspension of the exercise of the rights and privileges of members, and expulsion of members; and budgetary questions, should be made by a two-thirds majority of those present and voting. On other questions, including the determination of additional categories of questions to be decided by a two-thirds majority, the decisions of the General Assembly should be made by a simple majority vote.

Section

-11-

Section D
PROCEDURE

1. The General Assembly should meet in regular annual sessions and in such special sessions as occasion may require.

2. The General Assembly should adopt its own rules of procedure and elect its President for each session.

3. The General Assembly should be empowered to set up such bodies and agencies as it may deem necessary for the performance of its functions.

Chapter VI

-12-

Chapter VI
THE SECURITY COUNCIL

Section A
COMPOSITION

The Security Council should consist of one representative of each of eleven members of the Organization. Representatives of the United States of America, the United Kingdom of Great Britain and Northern Ireland, the Union of Soviet Socialist Republics, the Republic of China, and, in due course, France, should have permanent seats. The General Assembly should elect six states to fill the non-permanent seats. These six states should be elected for a term of two years, three retiring each year. They should not be immediately eligible for reelection. In the first election of the non-permanent members three should be chosen by the General Assembly for one-year terms and three for two-year terms.

Section B
PRINCIPAL FUNCTIONS AND POWERS

1. In order to ensure prompt and effective action by the Organization, members of the Organization should

-13-

should by the Charter confer on the Security Council primary responsibility for the maintenance of international peace and security and should agree that in carrying out these duties under this responsibility it should act on their behalf.

2. In discharging these duties the Security Council should act in accordance with the purposes and principles of the Organization.

3. The specific powers conferred on the Security Council in order to carry out these duties are laid down in Chapter VIII.

4. All members of the Organization should obligate themselves to accept the decisions of the Security Council and to carry them out in accordance with the provisions of the Charter.

5. In order to promote the establishment and maintenance of international peace and security with the least diversion of the world's human and economic resources for armaments, the Security Council, with the assistance of the Military Staff Committee referred to

in

-14-

in Chapter VIII, Section B, paragraph 9, should have the responsibility for formulating plans for the establishment of a system of regulation of armaments for submission to the members of the Organization.

Section C
VOTING

(Note - The question of voting procedure in the Security Council is still under consideration.)

Section D
PROCEDURE

1. The Security Council should be so organized as to be able to function continuously and each state member of the Security Council should be permanently represented at the headquarters of the Organization. It may hold meetings at such other places as in its judgment may best facilitate its work. There should be periodic meetings at which each state member of the Security Council could if it so desired be represented by a member of the government or some other special representative.

2. The Security Council should be empowered to set up such bodies or agencies as it may deem necessary for
the

-15-

the performance of its functions including regional subcommittees of the Military Staff Committee.

3. The Security Council should adopt its own rules of procedure, including the method of selecting its President.

4. Any member of the Organization should participate in the discussion of any question brought before the Security Council whenever the Security Council considers that the interests of that member of the Organization are specially affected.

5. Any member of the Organization not having a seat on the Security Council and any state not a member of the Organization, if it is a party to a dispute under consideration by the Security Council, should be invited to participate in the discussion relating to the dispute.

Chapter VII

-16-

Chapter VII

AN INTERNATIONAL COURT OF JUSTICE

1. There should be an international court of justice which should constitute the principal judicial organ of the Organization.

2. The court should be constituted and should function in accordance with a statute which should be annexed to and be a part of the Charter of the Organization.

3. The statute of the court of international justice should be either (a) the Statute of the Permanent Court of International Justice, continued in force with such modifications as may be desirable or (b) a new statute in the preparation of which the Statute of the Permanent Court of International Justice should be used as a basis.

4. All members of the Organization should ipso facto be parties to the statute of the international court of justice.

5. Conditions

-17-

5. Conditions under which states not members of the Organization may become parties to the statute of the international court of justice should be determined in each case by the General Assembly upon recommendation of the Security Council.

Chapter VIII

Chapter VIII

ARRANGEMENTS FOR THE MAINTENANCE OF
INTERNATIONAL PEACE AND SECURITY
INCLUDING PREVENTION AND SUPPRESSION
OF AGGRESSIONSection A
PACIFIC SETTLEMENT OF DISPUTES

1. The Security Council should be empowered to investigate any dispute, or any situation which may lead to international friction or give rise to a dispute, in order to determine whether its continuance is likely to endanger the maintenance of international peace and security.
2. Any state, whether member of the Organization or not, may bring any such dispute or situation to the attention of the General Assembly or of the Security Council.
3. The parties to any dispute the continuance of which is likely to endanger the maintenance of international peace and security should obligate themselves, first of all, to seek a solution by negotiation, mediation, conciliation, arbitration or judicial settlement, or other peaceful means of their own choice.

-19-

choice. The Security Council should call upon the parties to settle their dispute by such means.

4. If, nevertheless, parties to a dispute of the nature referred to in paragraph 3 above fail to settle it by the means indicated in that paragraph, they should obligate themselves to refer it to the Security Council. The Security Council should in each case decide whether or not the continuance of the particular dispute is in fact likely to endanger the maintenance of international peace and security, and, accordingly, whether the Security Council should deal with the dispute, and, if so, whether it should take action under paragraph 5.

5. The Security Council should be empowered, at any stage of a dispute of the nature referred to in paragraph 3 above, to recommend appropriate procedures or methods of adjustment.

6. Justiciable disputes should normally be referred to the international court of justice. The Security Council should be empowered to refer to the court, for advice, legal questions connected with other disputes.

7. The

-20-

7. The provisions of paragraph 1 to 6 of Section A should not apply to situations or disputes arising out of matters which by international law are solely within the domestic jurisdiction of the state concerned.

Section B
DETERMINATION OF THREATS TO THE
PEACE OR ACTS OF AGGRESSION AND
ACTION WITH RESPECT THERETO

1. Should the Security Council deem that a failure to settle a dispute in accordance with procedures indicated in paragraph 3 of Section A, or in accordance with its recommendations made under paragraph 5 of Section A, constitutes a threat to the maintenance of international peace and security, it should take any measures necessary for the maintenance of international peace and security in accordance with the purposes and principles of the Organization.

2. In general the Security Council should determine the existence of any threat to the peace, breach of the peace or act of aggression and should make recommendations or decide upon the measures to be taken to maintain or restore peace and security.

3. The Security Council should be empowered to determine what diplomatic, economic, or other measures

not

-21-

not involving the use of armed force should be employed to give effect to its decisions, and to call upon members of the Organization to apply such measures. Such measures may include complete or partial interruption of rail, sea, air, postal, telegraphic, radio and other means of communication and the severance of diplomatic and economic relations.

4. Should the Security Council consider such measures to be inadequate, it should be empowered to take such action by air, naval or land forces as may be necessary to maintain or restore international peace and security. Such action may include demonstrations, blockade and other operations by air, sea or land forces of members of the Organization.

5. In order that all members of the Organization should contribute to the maintenance of international peace and security, they should undertake to make available to the Security Council, on its call and in accordance with a special agreement or agreements concluded among themselves, armed forces, facilities and assistance necessary for the purpose of maintaining
international

-22-

international peace and security. Such agreement or agreements should govern the numbers and types of forces and the nature of the facilities and assistance to be provided. The special agreement or agreements should be negotiated as soon as possible and should in each case be subject to approval by the Security Council and to ratification by the signatory states in accordance with their constitutional processes.

6. In order to enable urgent military measures to be taken by the Organization there should be held immediately available by the members of the Organization national air force contingents for combined international enforcement action. The strength and degree of readiness of these contingents and plans for their combined action should be determined by the Security Council with the assistance of the Military Staff Committee within the limits laid down in the special agreement or agreements referred to in paragraph 5 above.

7. The action required to carry out the decisions of the Security Council for the maintenance of international peace and security should be taken by all the members of the Organization in cooperation or by

some

-23-

some of them as the Security Council may determine. This undertaking should be carried out by the members of the Organization by their own action and through action of the appropriate specialized organizations and agencies of which they are members.

8. Plans for the application of armed force should be made by the Security Council with the assistance of the Military Staff Committee referred to in paragraph 9 below.

9. There should be established a Military Staff Committee the functions of which should be to advise and assist the Security Council on all questions relating to the Security Council's military requirements for the maintenance of international peace and security, to the employment and command of forces placed at its disposal, to the regulation of armaments, and to possible disarmament. It should be responsible under the Security Council for the strategic direction of any armed forces placed at the disposal of the Security Council. The Committee should be composed of the Chiefs of Staff of the permanent members of the Security Council or their representatives. Any member of the Organization

not

-24-

not permanently represented on the Committee should be invited by the Committee to be associated with it when the efficient discharge of the Committee's responsibilities requires that such a state should participate in its work. Questions of command of forces should be worked out subsequently.

10. The members of the Organization should join in affording mutual assistance in carrying out the measures decided upon by the Security Council.

11. Any state, whether a member of the Organization or not, which finds itself confronted with special economic problems arising from the carrying out of measures which have been decided upon by the Security Council should have the right to consult the Security Council in regard to a solution of those problems.

Section C
REGIONAL ARRANGEMENTS

1. Nothing in the Charter should preclude the existence of regional arrangements or agencies for dealing with such matters relating to the maintenance
of

-25-

of international peace and security as are appropriate for regional action, provided such arrangements or agencies and their activities are consistent with the purposes and principles of the Organization. The Security Council should encourage settlement of local disputes through such regional arrangements or by such regional agencies, either on the initiative of the states concerned or by reference from the Security Council.

2. The Security Council should, where appropriate, utilize such arrangements or agencies for enforcement action under its authority, but no enforcement action should be taken under regional arrangements or by regional agencies without the authorization of the Security Council.

3. The Security Council should at all times be kept fully informed of activities undertaken or in contemplation under regional arrangements or by regional agencies for the maintenance of international peace and security.

Chapter IX

Chapter IX

ARRANGEMENTS FOR INTERNATIONAL ECONOMIC AND
SOCIAL COOPERATIONSection A
PURPOSE AND
RELATIONSHIPS

1. With a view to the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations, the Organization should facilitate solutions of international economic, social and other humanitarian problems and promote respect for human rights and fundamental freedoms. Responsibility for the discharge of this function should be vested in the General Assembly and, under the authority of the General Assembly, in an Economic and Social Council.

2. The various specialized economic, social and other organizations and agencies would have responsibilities in their respective fields as defined in their statutes. Each such organization or agency should be brought into relationship with the Organization on terms to be determined by agreement between the Economic and Social Council and the appropriate authorities of
the

-27-

the specialized organization or agency, subject to approval by the General Assembly.

Section B
COMPOSITION
AND VOTING

The Economic and Social Council should consist of representatives of eighteen members of the Organization. The states to be represented for this purpose should be elected by the General Assembly for terms of three years. Each such state should have one representative, who should have one vote. Decisions of the Economic and Social Council should be taken by simple majority vote of those present and voting.

Section C
FUNCTIONS AND POWERS OF
THE ECONOMIC AND SOCIAL
COUNCIL

1. The Economic and Social Council should be empowered:
 - a. to carry out, within the scope of its functions, recommendations of the General Assembly;
 - b. to make recommendations, on its own initiative, with respect to international economic, social and other humanitarian matters;
 - c. to

-28-

- c. to receive and consider reports from the economic, social and other organizations or agencies brought into relationship with the Organization, and to coordinate their activities through consultations with, and recommendations to, such organizations or agencies;
- d. to examine the administrative budgets of such specialized organizations or agencies with a view to making recommendations to the organizations or agencies concerned;
- e. to enable the Secretary-General to provide information to the Security Council;
- f. to assist the Security Council upon its request; and
- g. to perform such other functions within the general scope of its competence as may be assigned to it by the General Assembly.

Section D
ORGANIZATION AND
PROCEDURE

1. The Economic and Social Council should set up an economic commission, a social commission, and such other commissions as may be required. These commissions should consist of experts. There should be a
permanent

-29-

permanent staff which should constitute a part of the Secretariat of the Organization.

2. The Economic and Social Council should make suitable arrangements for representatives of the specialized organizations or agencies to participate without vote in its deliberations and in those of the commissions established by it.

3. The Economic and Social Council should adopt its own rules of procedure and the method of selecting its President.

Chapter X

-30-

Chapter X

THE SECRETARIAT

1. There should be a Secretariat comprising a Secretary-General and such staff as may be required. The Secretary-General should be the chief administrative officer of the Organization. He should be elected by the General Assembly, on recommendation of the Security Council, for such term and under such conditions as are specified in the Charter.

2. The Secretary-General should act in that capacity in all meetings of the General Assembly, of the Security Council, and of the Economic and Social Council and should make an annual report to the General Assembly on the work of the Organization.

3. The Secretary-General should have the right to bring to the attention of the Security Council any matter which in his opinion may threaten international peace and security.

Chapter XI

-31-

Chapter XI
AMENDMENTS

Amendments should come into force for all members of the Organization, when they have been adopted by a vote of two-thirds of the members of the General Assembly and ratified in accordance with their respective constitutional processes by the members of the Organization having permanent membership on the Security Council and by a majority of the other members of the Organization.

Chapter XII

-32-

Chapter XII

TRANSITIONAL ARRANGEMENTS

1. Pending the coming into force of the special agreement or agreements referred to in Chapter VIII, Section B, paragraph 5, and in accordance with the provisions of paragraph 5 of the Four-Nation Declaration, signed at Moscow, October 30, 1943, the states parties to that Declaration should consult with one another and as occasion arises with other members of the Organization with a view to such joint action on behalf of the Organization as may be necessary for the purpose of maintaining international peace and security.

2. No provision of the Charter should preclude action taken or authorized in relation to enemy states as a result of the present war by the Governments having responsibility for such action.

-33-

NOTE

In addition to the question of voting procedure in the Security Council referred to in Chapter VI, several other questions are still under consideration.

Washington, D. C.

October 7, 1944.



TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25

October 10, 1944

OFFICE OF THE DIRECTOR

Handwritten initials

MEMORANDUM TO THE SECRETARY:

The indicated purchase contracts for this fiscal year for all of our programs will approximate \$2,000,000,000. It is our largest volume for any year thus far. There is an indicated volume of \$350,000,000 of regular purchase activities including our stores operations, direct deliveries, term contracts, fuel yard sales, printing and binding, and miscellaneous purchasing. Also, special purchase programs of \$1,400,000,000 which includes Lend-Lease, Red Cross, Strategic and Critical Materials, and miscellaneous special programs. The total number of employees engaged on all Procurement activities is 3,422.

Following are certain highlights of our procurement activities:

1. PRICE ANALYSIS:

We have extended the analysis of prices including charges for containers and transportation as well as commodity costs with productive results. Our purchasing officers have been given training in price analysis over a period of time. This is a program that we have emphasized because of the possible termination of the Renegotiation Act.

2. STORES OPERATIONS:

Through consolidation of existing stores operated by other Federal agencies stores have been established in all regions, and we stock commonly used items for sale to all Federal agencies.

3. ADVISORY COMMITTEE FOR PROCUREMENT POLICY:

This Committee was established November 1, 1943, consisting of representatives of all of the Federal

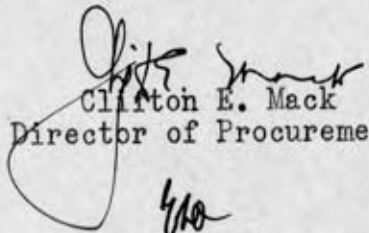

-2-

agencies. In conjunction with them, procuring planning is being developed to determine the best methods of making purchases, programming of requirements, and consolidating purchases.

4. OTHER PROGRAMS:

With the development of purchasing and stores operations, we are undertaking leadership in related procurement matters, especially inspection and specification. Our plan is to coordinate the specification and inspection activities being carried on throughout the service to review the policies, and to provide information that will increase the production and use of specifications, also, standardized inspection methods.

The UNRRA purchasing program has been initiated and we are advised that there will be a substantial increase for purchasing requirements for heavy machinery and also industrial equipment for the USSR and the French.


Clinton E. Mack
Director of Procurement




TREASURY DEPARTMENT
WASHINGTON 25



October 10, 1944

MEMORANDUM TO THE SECRETARY

I am enclosing a list of the special items valued in excess of \$50,000 as of October 9, 1944.

E. L. Olrich
Assistant to the Secretary

Enclosures

PROPERTY OR DISPOSAL

SPECIAL ITEMS, COST TO GOVERNMENT IN EXCESS OF \$50,000

AS OF OCTOBER 9, 1944

1. Automotive Products

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>AUTOMOTIVE SPARE PARTS, NEW</u>	23 000 000		16 000 000

Large quantities on recent declarations were bolts, nuts, spark plugs, fuses - called "parts common" that can be used on any motor vehicle. Lists totalling 11 million parts worth \$2,500,000 have been submitted to Ford and General Motors for them to analyze and determine parts acceptable.

AUTOMOTIVE PARTS, OBSOLETE, USED

2 000 000

Majority are used, having been taken from used vehicles and put in stock. There are acres of used bodies, fenders, cowls, cabs, etc., at Blue Grass, Ky. and Fort Crook. Spot check inspection list has gone to Chrysler as a test action on disposal. Other lists are going to other manufacturers. The regional offices have been authorized to dispose of parts occupying 75,000 sq. ft. of space.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>JACKS, HYDRAULIC</u>	10 741	\$79.00	848 539

4 wheel, roller type, for garage use. There are several makes. We are awaiting inspection report. Two manufacturers have been requested to submit offer.

<u>HYDRAULIC FLUID</u>	378 459 gals	1.74	658 580
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Needs reprocessing. Was supposedly withdrawn by Army last June. The manufacturer's telephone offer of \$.50 per gal. for entire lot has not yet been confirmed.

2. Textiles and Wearing Apparel

- All textiles and clothing in the hands of disposal agencies have been temporarily frozen to enable the Army to make selections for use in program for occupied countries.

<u>MAGAZINE BELTS</u>	55 369	2.35	130 325
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A series of web fabric belt pockets to hold bullet clips. Samples have been sent to all regions to widen sales effort.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>MOSQUITO BARS, WITH RODS</u>	210 000	\$5.90	1 239 000
Army has withdrawn a substantial quantity. An export deal is being promoted for the remainder.			
<u>LEGGINGS</u>	213 280 pr.		109 833
World War I stock, good only for salvage. Now being authorized for sale by Regions.			
<u>BELT POCKET FOR CARTRIDGE CLIPS</u>	1 000 000	.10	100 000
Web pocket with fastener. Radio advertiser is taking quantities under option as requests from program develop. Price received \$0.06.			
<u>APRONS, IMPERMIABLE</u>	79 449	5.00	174 800
Rubber coated apron, with sleeves, designed like an operating gown. Has very little use, except to cut up to salvage the material. Manufacturers not interested in re-purchase. Negotiations are under way to sell in open market.			
<u>RUCKSACKS, NEW AND USED</u>	5 000	12.66	63 600
Will attempt to sell on open market. Samples awaited.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
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BOOTS, RUBBER & LEATHER, NEW

	73 266	\$1.18	86 659
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New declaration - samples awaited.

TARGETS, ANTI-AIRCRAFT

	8 861	14.32	126 891
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New declaration - sample awaited.

HOODS, ANTI-GAS, NEW

	97 997	1.00	97 997
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New declaration - sample awaited.

COATS, FIREMEN'S SAFETY, NEW

	26 526	4.77	126 529
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New declaration - no action as yet.

W.A.C. CAPS

	76 712	2.20	168 766
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Samples have been given to exporters and others.
This is an item that is hard to dispose of.

HATS, ARMY SERVICE

	45 928	3.00	137 784
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The old-style, broad brimmed campaign hat. Of original amount of 91,000, half have been sold. Negotiations in process for balance.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>GLOVES, RUBBER, ANTI-GAS</u>	667 000	\$1.00	667 000

Gauntlet type. An industry meeting was held to discuss disposal program. Represents 4 years supply. Present inventories in mfrs. hands are high. Recommendation was to export or sell as crude rubber to manufacture critical items.

3. Machinery

<u>TRAILER HITCH, USED</u>	767	80.00	61 360
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New declaration - no action as yet.

<u>ICE GROUSERS, NEW</u>	76 726 pieces	2.70	207 160
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Ice gripping shoes to be attached to special rubber tired treads of high speed military tractors. Each weighs 6 lbs. A tractor needs 296 pieces. There is no known application on standard machines; no market, except for scrap. Publicity being released.

<u>CONSTRUCTION MACHINERY, HEAVY</u>	6 500	1,000.00 (average)	6 500 000
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General inventory of used machinery, most of it in very poor condition. Sales are being made regularly but inventory mounts.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>GROUSERS</u>	43 853	\$3.00	131 559
Non-standard mud cleats for crawler-type tractors. They are nothing but sheared pieces of structural angle iron, worth nothing except for scrap. Advertising folder will be issued.			
4. <u>Furniture</u>			
<u>MATTRESSES, NEW AND USED</u>	562 000	5.50	3 091 000
About 1/3 are new. Substantial sales of used mattresses for conversion into paper, take place regularly.			
<u>MATTRESSES, INNERSPRING, NEW</u>	9 500	6.00	58 000
From O.C.D. stocks. New declaration - plans being formulated.			
<u>BED PARTS</u>			65 000
Springs, heads, feet, and side rails; unassembled. Negotiating with bed mfrs. regarding re-purchase.			
<u>BEDS AND COTS, USED</u>	45 699		175 000
Includes 4,000 wood, double deck bunks, 12,500 steel, single beds, and 30,000 folding, wood and canvas cots.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
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PILLOWS, NEW AND USED

862 471

\$0.73

629 603

Some cotton, some feather pillows, - mixed in bales. Moderate sales of new pillows continue regularly. Used pillows are not wanted.

5. HardwareCARTS, FOOD

586

368.00

215 648

Hospital equipment. Inspection report still awaited.

HOSE, RUBBER

10 000

33.50

372 446

plus short
pieces

Large size, 25 ft. lengths. Approximately 18,000 lengths that have been used for handling explosives have been withdrawn. Army will inspect.

FIRE HOSE, NEW

247 400

ft.

109 720

Some 1 1/2 inch, - some 2 1/2 inch. Army will take entire lot, if in good condition.

HEATERS, SPACE

3 099

20.00

62 000

Magazine type. The U. S. Army Engineers will take entire lot.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>RANGES, GAS, NEW</u>	1 957	\$95.00	185 915
141 sold to govt. agencies. Have several bids and expect to dispose of 455 more this week. Awaiting report from Atlanta on remainder.			
<u>COVERS AND SEALS, RUBBER</u>	27 3/4 tons	-	169 245
Includes 3/4 ton seals, which are round rubber washers about 1 inch in diameter. There are 27 tons of new "covers" which are 2 in. lengths of black rubber hose - thin wall, about 1 inch in diameter. Inspection report awaited.			
<u>BOLTS, MISCELLANEOUS</u>	8 500 000		2 500 000
Have been frozen. Negotiations with mfrs. are under way looking towards methods of distributing through trade channels.			
<u>STAPLES, GALVANIZED</u>	18 000 kegs	4.52	81 360
100 lbs. to a keg. Sales are being made in substantial quantities at price near cost to government.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>WOOD SCREWS, BRASS, NEW</u>	250 000 gross	\$0.25	62 000
Negotiations with mfrs. are under way looking towards methods of distributing through trade channels.			
<u>SMOKE GENERATORS</u>	53 000	3.50	185 500
Obsolete smoke pots. Survey being made to determine quantity now available. Atlanta sold 15,000 at \$1.50 each.			
<u>SMOKE GENERATOR PARTS (VEHICULAR)</u>			277 000
Small metal parts (valves, fittings). Many are special and new uses will have to be found. Sears-Roebuck not interested. Several large manufacturers are being solicited.			
<u>SNOWSHOES, EMERGENCY</u>	21 837 pr	4.25	92 807
Paratroopers' special type, of no value for sport purposes. We have sold 1,000 pr. at \$1.00 each for children's use.			
<u>SNOWSHOES, NEW AND USED</u>	41 762	9.00	375 858
Regular types. Represents about 6 years total sales in U. S.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>ROPE, NYLON, TOW, USED</u>	206 871 lbs.		104 446
Will be put out for bid this week.			
<u>HELMETS, SAFETY, O.C.D.</u>	330 000	\$0.89	293 700
Packed 10 to a carton. Will be sold to toy depts., for the approaching holiday season, for \$0.65 each.			
<u>SHOTGUNS</u>	1 880	55.00	101 332
Manufacturers will submit re-purchase plan.			
<u>EMPLACEMENTS, MACHINE GUN</u>	32	5,300.00	169 600
A mount for a machine gun. No utility value known.			
<u>MACHINE GUNS, ELECTRIC</u>	707	279.00	197 253
Practice gun. Specifications have been submitted to amusement park owners.			
<u>SCABBARDS, BOLO</u>	228 000	1.60	364 800
Designed for bolo that is now obsolete. Few bolos available. Have received no offers as a result of advertising which was sent out.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>SPURS, NEW AND USED</u>	300 000	\$1.30	390 000
Some small sales have been made at \$0.50 a pair. Additional prospects for large quantities are being developed.			
<u>LANTERNS, OIL BURNING</u>	34 460	3.00	107 316
Navy will withdraw for transfer to Army.			
<u>MARKERS, MINE FIELD</u>	11 000 sets	6.85	75 350
Carrying case with metal "Danger" pins, plus rolls of yellow tape. Inquiries have been received as result of advertising but no offers.			
<u>PLATFORM TRUCKS, STEEL, NEW</u>	8 000	75.00	600 000
Steel trucks on casters. The truck weighs 800 lbs. and it takes 2 men to push an empty truck. We have offer of \$16.00 for a limited quantity. New advertising is being prepared.			
<u>RESPIRATORS, DUST, COMMERCIAL</u>	61 127	1.00	59 293
Made for African combat use - some are suitable for industrial use. A manufacturer has made a re-purchase offer of \$0.70 for those of his make. Other manufacturers' offers awaited.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>SIRENS, NEW</u>	28 638	\$6.00	174 569
Hand warning device in carrying case. We have offer for entire lot at \$1.75 each.			
<u>INCINERATORS, NEW</u>	34	9,818.00	333 812
Designed for human excretia but can be used for burning lower-water content material by remodeling at cost of \$1,000 each. Manufacturer decided against re-purchase.			
<u>IMPRINTING MACHINES, NEW</u>	35 600	21.95	781 420
Original manufacturer has been given 10 days to present re-purchase proposal.			
<u>RAFTS, PNEUMATIC, 5-MAN</u>	1 400	200.00	280 000
About half of original lot has been sold at established prices. Sales continue to come in - also new declarations.			

6. Medical and Hospital Supplies

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>STERILIZERS, NEW AND USED</u>	1 381	\$300.00 (average)	495 037
Considered unsafe for medical department use by Army. Negotiations with manufacturer in process. Offer for part of lot received.			
<u>DISK, METAL, ABRASIVE, 7/8"</u>	134 000 cards	.60	80 400
Dental supply item - packed 12 disks on a card. Manufacturers have been contacted in regard to re-purchase.			
<u>FLASK, WITH CUP</u>	200 000	.33	66 000
Made for soldier to carry liquid medicine in field - a small canteen. Probably of no commercial value.			
<u>BOTTLES, WIDEMOUTH, 250 CC</u>	201 307	.45	90 588
Samples being obtained. New item - no action as yet.			
<u>TEST TUBES, GLASS</u>	4 670 000	.03	140 100
Some samples have arrived and disposal plans are being made.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>PETRI DISHES, WITH COVER</u>	230 000	\$0.27	62 100
Laboratory dish for making germ cultures. Sample awaited.			
<u>FLOSS, SILK, DENTAL</u>	510 000 spools		173 400
Samples awaited.			
<u>SUTURES, SILK AND CATGUT</u>	13 500 000 tubes		2 397 000
For sewing after surgical operations. All government hospital agencies and the Red Cross have been advised of availability. Government agencies not interested. One manufacturer (Davis & Geck) not interested in re-purchase.			
<u>DRESSINGS, FIRST AID PKGS.</u>	30 000 000		3 582 000
Withdrawals have been made and it is <u>presumed</u> that this balance represents quantities that have purchased from commercial houses, not Red Cross.			
<u>BANDAGES, MUSLIN</u>	134 584 doz		128 034
Action is being taken to secure a desirable outlet.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>GAUZE, PLAIN, 25 YD. ROLLS</u>	150 000	\$0.75	112 500
New. Region has been instructed to dispose of this item to govt. agencies.			
<u>BOXES, TABLET</u>	320 000 cartons	.40	128 000
500 boxes in a carton. Believed to be World War I stock. Samples awaited.			
<u>STRETCHERS, CANVAS AND METAL, NEW</u>	8 400		54 000
New items from O.C.D. stocks. Disposal plans being made.			
<u>SURGICAL & DENTAL INSTRUMENTS,</u> <u>MEDICINES & SUPPLIES</u>			1 846 000
Mostly non-standard, obsolete, or deteriorated. Includes \$52,228 in N. Y. Depot, \$250,000 in Louisville Depot, and \$100,000 dental supplies at Perry Point, Md. Disposal policy for non-standard items is being formulated.			

<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
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MEDICINES AND ANTISEPTICS

5 800 000

This listing covers many declarations recently declared by Army. It is made up of various preparations of highly technical nature, in great quantities. All are on new declarations. Samples are being obtained. Will be tested to determine quality.

7. General ProductsCAMERAS, AIRCRAFT

96

307 386

Each camera has great variety of collateral equipment. Obsolete type. Physical inspection being made. Informal negotiations with Fairchild Camera Co. in process.

BATTERIES, DRY CELLS AND PACKS

60 000

Overage for Army use. New declarations come in and sales are reported regularly.

HORSES

1 468

\$165.00

242 220

All horses will be sold according to established program of auctions.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
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WIRE THROWER, MOTOR

	350	\$750.00	262 500
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Device that throws combat telephone wire to side of road as it unreels from moving truck. Has a 5 H.P. air-cooled motor. A few sold at \$50 recently to a buyer who was interested in the motor only.

DRUMS, 55 GAL., USED

	75 000	2.50	187 500
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Sales of moderate quantities are being made regularly at ceiling price of \$1.00.

GASOLINE CANS, 5 GAL.

	2 500 000	2.00	5 000 000
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All are "Blitz" can type. National sales plan will be announced this week. Cans will be sold in carload lots at stipulated prices, depending on quantity.

8. Paper, and Office Equipment

NONE

Total\$ 63 592 140
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SURPLUS USED TRUCKS REPORT

For 7 Days and Period Ended, October 7, 1944
(Period Began January 1, 1944)

7 Days to Oct. 7, 1944 Period to Date

Total Used Trucks Declared		<u>1450</u>		<u>41015</u>
Less Declarations withdrawn	<u>27</u>		<u>1431</u>	
Less Loans to Other Federal Agencies	<u>0</u>		<u>145</u>	
Less Transfers to Other Federal Agencies	<u>45</u>	<u>72</u>	<u>3009</u>	<u>4585</u>
Net Used Trucks Declared for Sale		<u>1378</u>		<u>36430</u>
Less Used Trucks Sold		<u>2347</u>		<u>25588</u>
Balance of Used Trucks on hand				<u><u>10842</u></u>

ANALYSIS OF INVENTORY

Inspected and ready for sale		<u>6957</u>
Not Inspected		<u>3885</u>
		<u><u>10842</u></u>

SURPLUS USED CARS REPORT

For 7 Days and Period Ended, October 7, 1944
(Period Began January 1, 1944)

	<u>7 Days to Oct. 7, 1944</u>	<u>Period to Date</u>
Total Used Cars Declared	<u>175</u>	<u>5882</u>
Less Declarations withdrawn	<u>4</u>	<u>112</u>
Less Loans to Other Federal Agencies	<u>0</u>	<u>19</u>
Less Transfers to Other Federal Agencies	<u>10</u>	<u>572</u>
		<u>703</u>
Net Used Cars Declared for Sale	<u>161</u>	<u>5179</u>
Less Used Cars Sold	<u>300</u>	<u>3669</u>
Balance of Used Cars on hand		<u>1510</u>

ANALYSIS OF INVENTORY

Inspected and ready for sale	<u>773</u>
Not Inspected	<u>737</u>
	<u>1510</u>

SURPLUS MOTORCYCLE REPORT
For 7 Days and Period Ended, Oct. 7, 1944
 (Period Began January 1, 1944)

	<u>7 Days to Oct. 7, 1944</u>	<u>Period to Date</u>
Total Motorcycles Declared	<u>50</u>	<u>14180</u>
Less Declaration withdrawn	<u>28</u>	<u>33</u>
Less Loans to Other Federal Agencies	<u>0</u>	<u>0</u>
Less Transfers to Other Federal Agencies	<u>0</u> . 28	<u>210</u> <u>243</u>
 Net Motorcycles Declared for Sale	 <u>22</u>	 <u>13937</u>
Less Motorcycles Sold	<u>519</u>	<u>7926</u>
Balance of Motorcycles on hand		<u><u>6011</u></u>

ANALYSIS OF INVENTORY

Inspected and ready for sale	<u>2700</u>
Not Inspected	<u>3311</u>
	<u><u>6011</u></u>



TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25

October 10, 1944



OFFICE OF THE DIRECTOR

SECRET

MEMORANDUM TO THE SECRETARY:

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

A requirement has been received for a large quantity of Farm Machinery for the liberated areas under the UNRRA Program, amounting to approximately \$17,252,849.00.

Clifton E. Mack
Clifton E. Mack
Director of Procurement

*EJO
10/14
amb*

SECRET

LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF OCTOBER 4, 1944
 (In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$5573.1 (5573.1)	\$2627.1 (2627.1)	\$2257.3 (2257.3)	\$133.9 (133.9)	\$15.9 (15.9)	\$538.9 (538.9)
Requisitions in Purchase	\$ 189.5 (183.4)	\$ 27.0 (29.7)	\$ 54.7 (57.0)	\$ 1.8 (1.9)	-	\$106.0 (94.8)
Requisitions not Cleared by W.P.B.	\$ 116.6 (104.5)	\$ 28.6 (26.6)	\$ 72.9 (58.1)	\$.1 (.2)	-	\$ 15.0 (19.6)
Obligations (Purchases)	\$4105.4 (4059.1)	\$2009.4 (2004.9)	\$1707.9 (1671.4)	\$ 62.6 (62.6)	\$14.3 (14.0)	\$311.2 (306.2)
Deliveries to Foreign Governments at U. S. Ports*	\$2443.5 (2416.6)	\$1482.6 (1470.1)	\$ 885.6 (871.2)	\$ 24.6 (24.6)	-	\$ 50.7 (50.7)

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

Note: Figures in parentheses are those shown on report of September 27, 1944.

SECRET

72

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1.014.00
60.00
5.155.00
10.032.00
16.627.00
111.00
271.00
38.793.00
26.00
1.00
52.00
1.059.00
1.460.00
659.00
6.178.00
26.432.00
26.635.00
11.553.00
2.446.00
24.00

STORAGE

148.588.00*

73

117600
300
4500
109500
60700
200
96600
196600
2537900
8500
1634200
678100
499300
1752000
1144100
1051600
480800
1502500
11875000*

Production

2190.00⁷⁴
3.00
105.00
5.155.00
11.127.00
607.00
2.00
17.593.00
111.00
271.00
1.966.00
64.172.00
26.00
1.00
137.00
16.342.00
7.840.00
1.460.00
5.652.00
23.698.00
37.873.00
37.151.00
16.361.00
17.471.00
24.00

Total

267.338.00 *

148.588.00
118.750.00

267.338.00 *

Priority
Cargoes

75
2.190 00
105 00
5.155 00
8.753 00
6.424 00
111 00
1.966 00
40.659 00
26 00
1 00
137 00
1.391 00
4.032 00
11.480 00
20.282 00
3.877 00
11.200 00
1.960 00
125.754 00 *

OCT 10 1944

My dear Mr. President:

There is attached a report of Lend-Lease purchases made by the Treasury Procurement Division for the Soviet government indicating the availability of cargo for October.

The inventory of material in storage as of October 1, 1944, was 148,588 tons or 55,788 tons less than the September 1st inventory. Production scheduled for October shows a decrease of 18,508 tons as compared with September.

Faithfully yours,

(Signed) D. W. Bell

The President
The White House

WFBrennan:jj
(10-7-44)

477
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TREASURY DEPARTMENT - U. S. S. R.
MATERIALS AVAILABLE FROM STORAGE AND PRODUCTION DURING OCTOBER, 1944
(IN 2000 LB. TONS)

<u>COMMODITY</u>	<u>STORAGE OCTOBER 1, 1944</u>	<u>PRODUCTION DURING OCTOBER</u>	<u>TOTAL AVAILABLE</u>	<u>PRIORITY CARGOES FOR PORT AREAS SPECIFIED TO DATE FOR OCTOBER</u>
ALUMINUM	1,014	1,176	2,190	2,190
AUTOMOTIVE EQUIPMENT AND PARTS		3	3	
BEARINGS	60	45	105	105
BRASS AND BRONZE	5,155		5,155	5,155
CHEMICALS	10,032	1,095	11,127	8,758
CLOTHING AND TEXTILES		607	607	
CONSTRUCTION MACHINERY		2	2	
COPPER IN VARIOUS FORMS	16,627	966	17,593	6,424
FERRO-ALLOY	111		111	111
GRAPHITE PRODUCTS	271		271	
HAND AND CUTTING TOOLS		1,966	1,966	1,966
INDUSTRIAL MACHINERY	38,793	25,379	64,172	40,659
LEAD AND LEAD ALLOYS	26		26	26
NICKEL AND NICKEL PRODUCTS	1		1	1
NON-FERROUS METALS, OTHER	52	85	137	137
NON-METALLIC MINERALS		16,342	16,342	
PAPER AND PAPER PRODUCTS	1,059	6,781	7,840	1,394
PLASTICS	1,460		1,460	
RUBBER	659	4,993	5,652	4,032
STEEL, ALLOY AND SPECIAL	6,178	17,520	23,698	11,480
STEEL, CARBON	26,432	11,441	37,873	20,282
STEEL, PIPE AND TUBING	26,635	10,516	37,151	9,877
STEEL, RAILS	11,553	4,808	16,361	11,200
TIN PLATE	2,446	15,025	17,471	1,960
ZINC	24		24	
TOTAL	148,588	118,750	267,338	125,754

*In addition, all available tonnage applicable to the Oil Refinery Program is classed as priority cargo for prompt shipment to ports.

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

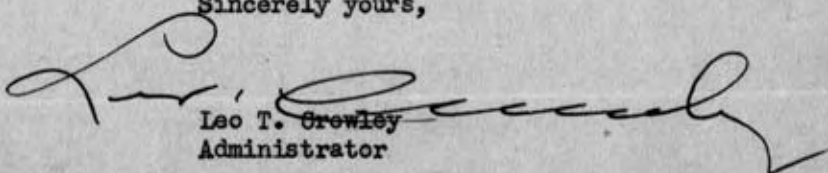
OCT 10 1944

Dear Secretary Morgenthau:

I appreciate very much your letter of September 27 sending along a copy of Lord Cherwell's letter of September 16, 1944 on the meaning of the phrase "sold for profit".

A copy of our memorandum on the history of this phrase was sent to you on September 30, 1944.

Sincerely yours,



Leo T. Crowley
Administrator

The Honorable Henry Morgenthau, Jr.

The Secretary of the Treasury

OCT 11 AM 8 42
RECEIVED OFFICE

IMMEDIATE RELEASE

October 10, 1944.

STATEMENT BY THE PRESIDENT

I have today approved the recommendation of the Secretaries of State, Treasury and War, and of the Foreign Economic Administrator, that the U. S. Government currently make available to the Italian Government the dollars equivalent to the Italian lire issued up to now and hereafter as pay to U. S. troops in Italy.

The dollar proceeds of remittances made by individuals in this country to friends and relatives in Italy are also being made available to the Italian Government as are the dollar proceeds of any products exported by Italy to this country.

It has been our intention to make available to the friendly Western European countries dollars equivalent to the local currency issued as pay to American troops in their territory. This policy differs from that to be applied in the case of Italy since in the latter case it is subject to special restrictions reserved to the United States in connection with the final peace settlement.

The dollars made available to Italy will be used by the Italian Government to pay for essential civilian supplies purchased in this country for use in liberated Italy. The U. S. Army has supplied substantial amounts of certain essential civilian goods such as food, clothing and medical supplies as a necessary part of military operations in Italy. The funds which I am now making available will enable the Italian Government under control of appropriate Allied authorities to obtain in this country other essential civilian supplies and to continue to obtain essential supplies after the U. S. Army program ceases.

This step has been taken after consultation with the British Government which has also been providing essential civilian supplies to the Italians and will continue to provide its share of an agreed program of such supplies, but under different financial arrangements.

The Fascist dictatorship which led Italy into war against the United States and the other United Nations has been overthrown. Today, the Italian people are cooperating with the United Nations forces in driving the Germans from Italy. Our soldiers, sailors and airmen are welcomed and assisted by the civilian population in Italy wherever they go. Italian troops are joined with our forces at the front. And behind the German lines, Italian partisans are heroically giving their lives in the struggle.

It is to our interests that Italy be able to contribute as fully as possible to the winning of final victory. While the re-establishment of Italy as a free independent and self-supporting nation must be primarily the responsibility of the Italian people themselves, it is also to our interest that the Italian people be given the opportunity to obtain and pay for the necessities they need from us if they are to be able to help themselves.

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD
WASHINGTON 25, D. C.



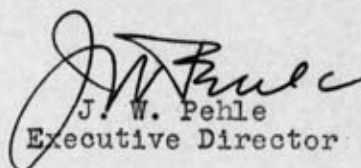
OFFICE OF THE
EXECUTIVE DIRECTOR

OCT 10 1944

My dear Mr. Secretary:

I am pleased to send you herewith a copy of the report of the War Refugee Board for the week of September 25 to September 30, 1944.

Sincerely yours,


J. W. Pehle
Executive Director

The Honorable,

The Secretary of the Treasury.

Enclosure.

Report of the War Refugee Board
for the Week of September 25 to 30, 1944

SITUATION IN HUNGARY

In response to our request for verification of an offer said to have been made by the Germans to permit a group of 2,100 Jews to leave Hungary on condition that they be taken to British or American territory, our Representative in Bern advised us that the purported offer was based on a note from the Swiss Federal Political Department to the British Legation reporting the substance of a conversation between the Swiss Minister at Berlin and an unnamed official of the German Foreign Office. The Swiss Minister had approached the Germans concerning the emigration from Hungary of the same group of approximately 2,000 Hungarian Jews holding Palestine certificates whose evacuation in an initial transport was anticipated immediately following receipt of the Horthy offer. In refusing to grant permission for these people to leave Hungary, for the stated reason that their departure for Palestine would disturb German relations with the Arabs, the Foreign Office spokesman intimated that if these Jews were going to American or British territory their departure would be viewed more favorably. Marking the informality and vagueness of this inference, Representative McClelland asserted that any eventual attempt by the Germans to hold the Allies responsible for not accepting an offer which could hardly be said to have been concretely made would constitute pure casuistry on their part.

In the course of his investigation, McClelland learned that the Swiss note reported that the Germans had definitely requested that, "for reasons of security," they be furnished with an exact list of Jews whose departure is contemplated. He pointed out that this also was merely a verbal statement from the German Foreign Office, which exercises only a very slight influence on the plans and decisions of the Gestapo and SS who, so far as the German Government is concerned, are obviously in control of the Jewish situation in Hungary. This question was discussed with officials of the British Legation at Bern, and McClelland concurred in the opinions expressed by them that the Swiss Legation at Budapest should not under any circumstances be requested to deliver to the Germans lists of Hungarian Jews, and that it would be extremely hazardous to undertake transportation of Jews through German-controlled territory at this time.

- 2 -

It was felt that unless effective control by the International Red Cross or some similar organ could be assured, permission for such transit, if granted by the Germans, could hardly be relied upon.

In suggesting two alternative proposals which might be made to the Germans, McClelland observed that certain Nazi circles are obsessed with the idea of getting Jews out of Europe permanently and will not tolerate the departure of those they feel may come back again. He indicated that if Hungarian Jews who desire to return to their country when the war is over could be selected without arousing German suspicions, it might ease the problem of postwar settlement of such a group. The first of the two suggestions envisages an offer of temporary haven in Allied territory for a group of 2,000 or more Hungarian Jews without Palestine certificates and who did not plan to go to Palestine eventually. This was based on the possibility that the alleged German objection to Palestine immigration might be offset by a formal British declaration that the group would not go to Palestine, and that if the Germans insisted on knowing their ultimate destination, it might be stated that division of the group among various overseas countries of immigration was being actively arranged. The second suggestion was based on the extension of the visa program to children from Hungary as well as from France, under which a concrete offer would be made to admit a group of 1,000 or more Hungarian Jewish children into the United States, such children to be taken under International Red Cross control from Hungary to Switzerland for a temporary sojourn pending their evacuation.

In accordance with our request, McClelland urged the International Red Cross to undertake supervision of the 500 children and 70 adults to whom visas for Spanish Morocco were issued. At the same time, he requested Intercross to make a frank statement of the degree of actual supervision which it is presently able to exercise not only over the eventual departure of Jews from Hungary, but also over their general security and welfare while they remain in Hungary. He stated that while there is no lack of desire on the part of the International Red Cross to assist in obtaining better treatment for Jews in Hungary, if only by the presence of observers, it is unfortunately without power to exert any special influence to move the Germans to a favorable decision in the matter of transit visas for additional Intercross personnel to be sent to Hungary.

- 3 -

In connection with the so-called mobilization of Jews in Hungary for labor as recently announced by the Lakatos Government, McClelland advised us that responsible Jewish organizations in Switzerland are becoming increasingly anxious concerning the removal of Jews from the city of Budapest. These organizations are supported by a former member of the Hungarian Jewish Senate, who reached Switzerland in August with a group from Bergen-Belsen, in their view that such a move greatly endangers the situation of Budapest Jews. They have indicated to McClelland the following reasons for their apprehension:

1. Past experience has demonstrated that pogroms are much more difficult to carry out in capital cities where public sentiment reacts more energetically, where foreign diplomats are located, and where the government which will be held directly responsible for such excesses has its seat.
2. In a last-minute deterioration of Hungary's military situation, the Germans or certain Hungarian elements would find it far easier to "liquidate" Budapest Jews if they were scattered throughout the provinces and located in isolated camps rather than in some 2,600 separate dwellings in Budapest.
3. Erection of barracks in camps to house 120,000 Jews would require several hundred railroad cars of lumber which is not available under present circumstances. The financial means of the Jewish Committee in Budapest would be inadequate to pay for the construction of such camps, since the present Hungarian Government has made no move to unblock confiscated Jewish funds for this purpose. For these reasons, it is feared that most Jews whose evacuation from Budapest is envisaged would be concentrated in thoroughly primitive and unhygienic "camps" similar to those used for assembling Jews in the provinces prior to their deportation during May and June. Such "ad hoc" camps were terribly crowded and afforded insufficient shelter.
4. The task which would fall to the Central Jewish Senate in Budapest to supply such camps with food would be exceptionally difficult. Kitchen

- 4 -

and other necessary equipment is lacking, and it is very hard to procure locally adequate supplies for large concentrations of persons in the provinces.

5. Despite confiscation and plundering, Jews in Budapest still possess a minimum of clothing and household belongings which would doubtless have to be left behind and would probably also be confiscated and stolen.

McClelland stated that similar observations have been brought to the attention of the International Red Cross and he recommended that the Board seriously consider addressing a formal protest against this projected move to the Hungarian Government, which itself stated that the contemplated evacuation is designed to bring Jews under exclusively Hungarian control and "preserve them from outside interference." Radio broadcasts covering the situation were also suggested to the Board.

Reports on Conditions in Hungary

Representative Hirschmann reported that the Counselor of the Hungarian Embassy at Ankara in a conference with International Red Cross Representative Simond again stated that the regent is aiding the Jews in Hungary, that the Hungarian Government is not unwilling to permit Jews to leave the country, but that he sees no favorable possibilities so long as their departure involves transit through German-controlled territory. He indicated that Horthy's discussion on the matter with the Germans is continuing.

With respect to the activities of the Special Attache to the Swedish Legation in Budapest, Minister Johnson reported that it had been found impracticable in the beginning to inaugurate any large scale relief operations; instead, the Swedish representative endeavored to bring as many Jews as possible under Swedish protection, such protection having been extended to more than 5,000 persons out of 9,000 applicants. Since the number of persons even remotely eligible for Swedish protection has narrowed considerably, attention is now being focused on relief activities. The Swedish representative stated that Hungarian officials had been fairly receptive to his approaches for more lenient treatment of Jews and that he had been successful in securing the release of approximately 500 persons from all anti-Jewish measures. Similar benefits are being extended as rapidly as possible to those with Swedish protection of one kind or

- 5 -

another. The program previously outlined for construction of a camp under Swedish protection for approximately 3,500 Jews was not carried out for the reason that this particular group is now fairly well protected. Deportations were said to have been officially stopped, although the Germans still raid concentration camps in rural districts and remove small groups. Budapest Jews were regarded as reasonably safe for the time being. It was indicated that food rations for Jews are limited but that they are able to obtain necessities on the black market and in general are not suffering from hunger. Concentration camps for Jews were reported still in existence at ten locations in Hungary. A later report which the Swedish Foreign Office received from its Legation in Budapest indicated that extensive arrangements have been made to accumulate food supplies for needy Jewish groups, particularly children.

SITUATION IN SLOVAKIA

Representative Ackermann advised us that Mr. Myron Taylor has sent a message to the Pope in line with Representative McClelland's recommendation that efforts be made to secure Vatican intervention to alleviate the situation of Jews in Slovakia. It was stated that Mr. Taylor will follow up the message with a personal call.

SITUATION IN POLAND

In accordance with our request, Ambassador Harriman has communicated to the Soviet Foreign Office our concern for the safety of the Jews reported surviving in Lodz. He has also asked the Foreign Office to keep us advised of any information which they may acquire in this connection.

From Bern we learned that the following propaganda statement concerning alleged conditions in the Pruszkow Camp, where refugees from Warsaw are confined, was issued by the German DNE news agency in Berlin on September 21:

Contrary to reports spread by Anglo-Americans, the Polish Relief Committee states that no difficulties are encountered in extending medical and spiritual assistance to inmates of the Pruszkow Camp, where 250,000 Polish men, women, and children have been housed since the beginning of the revolt in Warsaw. The Camp was visited on September 17 and 18 by Intercross Representative Wyss, who was acquainted by the Chief of the Polish Relief Committee and doctors, nurses, and auxiliary personnel with the feeding and medical arrangements and inspected kitchen, lodging, and welfare installations. Wyss likewise investigated individual refugee cases.

- 6 -

It was believed that the statement possibly was made to forestall any reports which Wyss himself might make.

At the urgent request of members of the Polish Government and groups interested in rescue work, our representative in London informed us of their view that the possibilities for bombing extermination chambers and German barracks at the largest Polish concentration camps should again be explored by the Board. Recent maps showing the location of such camps were offered, and it was stated that the suggested objectives were sufficiently detached from the concentration camps to permit precision bombing. They explained that their request was prompted by reliable reports recently received from the Polish underground to the effect that the Germans are increasing their extermination activities in all Polish concentration camps. They urged that those guilty of these atrocities be warned anew and indicated that they are able to furnish names of guilty persons for possible use in broadcasts. The Board submitted this proposal to the War Department for consideration.

SITUATION IN BULGARIA

Our Representative in Ankara informed us of reliable reports received from Sofia that many Bulgarian Jews are returning from outlying districts to repossess their homes in Sofia. While blocked Jewish bank accounts are being partly released, difficulties are being encountered in the restoration of real property, a problem with which a special Bulgarian government committee is dealing. Although there was a recent government declaration that Jewish citizens are entitled to request the return of their homes without special authorization insofar as it is possible for them to establish their original ownership, almost all of the Jewish apartments were taken over by Bulgarians, and arrangements to have such apartments vacated immediately are proving difficult. It was observed that, since the Jews are without resources and must compete with non-Jewish Bulgarians who are also endeavoring to reestablish their normal economic life, the prospects for restoring Bulgarian Jews to their normal economic life are not encouraging at present.

We were also advised of a statement of policy issued by the Bulgarian Minister of Propaganda to newspaper correspondents on September 22 and broadcast from Sofia in Bulgarian, English, and Hebrew. The statement declares that the Bulgarian Government has no objection to Jews emigrating to Palestine and will make no difficulties for those who wish to do so, requiring only that they comply with laws

and regulations applicable to citizens of Bulgaria. It is asserted that all "exclusive laws of anti-Jewish character" have been annulled by the Government; specific reference was made to the law establishing a surtax of 20% to 25% of the value of all Jewish property, with a promise for the return of the excess amount which, because of Bulgaria's present financial situation, will be accomplished by converting it into a state loan of "definite maturity." It is maintained that Jews now enjoy full equality of rights and freedom with other Bulgarian nationals. The statement of policy concludes with an outline of the procedure to be followed in the restoration of confiscated property. According to our Representative, if this avowed policy is faithfully implemented, it will materially assist in re-establishing the former rights and liberties of Bulgarian Jews.

FOOD PARCELS PROGRAM

Representative McClelland advised us that the International Red Cross had reported to him the arrival in Gothenburg of the initial shipment of 15,000 parcels for concentration camps in enemy occupied Europe. On the basis of experience with this first shipment, certain suggestions were made regarding packaging and marking of the remaining 285,000 parcels.

According to the International Red Cross, considerable difficulty is being encountered in transshipping parcels from Gothenburg to Germany. However, very encouraging results with the first parcels made up from the salvaged "Christina" cargo were reported. Receipt cards for 1,500 parcels bore the signatures and numbers of from one to fifteen prisoners, so that valuable information was obtained concerning prisoners numbering at least five times the number of parcels sent.

EVACUATIONS THROUGH TURKEY

Confirming the view recently expressed by our Representative in Ankara, a report from a private source in Istanbul indicated that possibilities for rescue operations through Turkey are becoming increasingly limited. It was felt that, from the rescue point of view, there now appears to be little need for removing Bulgarian or Rumanian Jews from those countries, and that the only necessity for further evacuations which might develop would be the removal from Rumania of Jewish refugees from other countries in order to facilitate the rescue of additional Jews from Hungary.

- 8 -

Claim for Ship Charters

Ambassador Steinhardt advised that the Turk Government has made no claim as a result of our negotiations for the use of the SS "Tari" and indicated his belief that no claim would be presented by that Government.

Representative Olsen has been authorized to effect settlement with the owners for the charges incurred in connection with the SS "Bardaland."

EVACUATIONS FROM YUGOSLAVIA

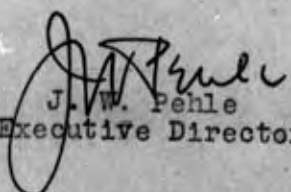
Representative Ackermann has advised the Board of arrangements which are being made by a private organization for evacuating approximately 650 Jews from Yugoslavia and attempts being made to arrange the evacuation of further groups. He is giving all possible assistance to the project and will keep us informed of any difficulties encountered.

RECOGNITION OF LATIN AMERICAN PASSPORTS

Representative McClelland reported that compilation of lists of Latin American document holders is in process, with special efforts being made to complete a list of such persons now at Bergen-Belsen, in the hope that it will assist the Swiss in obtaining access to this camp and exercising more satisfactory protection of the internees than has hitherto been possible.

The Hungarian Government has inquired through the Swiss whether persons in the United States or other American Republics claiming Hungarian nationality, even if such claims are not well established, might be accorded the same benefits of protection by the state representing Hungarian interests as we have requested for such persons in Hungary claiming nationality of an American republic.

An official of the Bolivian Government advised our Embassy in La Paz that there are no persons bearing Bolivian documentation known to be in German-occupied territory, but that investigation of the situation will be continued.


J. W. Penle
Executive Director

Distribution of true reading only by special arrangement. (SECRET W)

AMEMBASSY

October 10, 1944

LONDON

Midnight

8341

The cable below for Winant from Department and Pehle of War Refugee Board is WRB 8.

Reference Pehle's message forwarded as Department's no. 6809 of August 25, 1944. After discussion with Arthur Goodhart, Pehle and Goodhart agree that best arrangement will be for Goodhart to be available for special consultation and advice on an informal basis, and not be designated as War Refugee Board representative.

Accordingly, the Board proposes to appoint Mr. James H. Mann as Special Representative of the Board in England with the designation by the Department as Special Attache to the Embassy on war refugee matters. The President's Order of January 22, 1944, provides that the State Department shall appoint such Special Attaches on the recommendation of the Board, that they shall have diplomatic status, and that their duties and responsibilities shall be defined by the Board in consultation with the State Department.

If the appointment meets with your approval, you should advise Mr. Mann that he is so designated and that he is to have diplomatic status. It is assumed that there will be no objection on the part of the British Government to this designation, although you may in your discretion approach the British authorities informally if you consider it necessary or advisable to do so. Please confirm action by telegram.

Please request Mann to contact Goodhart as soon as he returns to England and to consult freely with Goodhart on War Refugee Board problems as they arise.

HULL
(CIW)

WRB:MMV:KG
10/4/44

Distribution of true
reading only by special
arrangement. (SECTION W)

October 10, 1944

Midnight

AMEMBASSY,

LONDON

8347

The cable below is WRB 10.

The War Refugee Board requests that you deliver
paraphrase of the following message to Dr. Ignacy Schwarzbart,
45 Queens Court, Queensway, London:

QUOTE Conferred again matter deathcamps with Soviet
Embassy which promised favorable action. Concerning
Anglo-American action War Department here informed fully
General Wilson Allied Mediterranean Commander. Urge our
friends take up matter British War Office. Inform Easternman
Reiss. Signed A. Leon Kubowitzki, World Jewish Congress,
UNQUOTE

HULL
(GIW)

WRB:MMV:CMH
10/10/44

Distribution of true reading only by special arrangement. (SECRET W)

October 10, 1944

6 p.m.

AmEMBASSY

LISBON

2701

The cable below for Norweb and Dexter is WRB 105.

The substance of following message has been sent to Bern as Department's 5461 of October 7:

QUOTE Information received by Department indicates that Jews in three concentration camps of Birkenau, Neuss and Oswiecin have been ordered to be exterminated. This probably involves some 65,000 Jews.

Please convey to the German Representative at Bern through any available channels the information that the United States has been advised of this and also understands that Himmler has personally authorized this death order which certain other officials will carry out. There is thus a fixation of direct responsibility for this proposed crime. Appropriate consequences will follow in accordance with the policy this Government has declared and will attach to all participants, if this proposed crime is carried out.

UNQUOTE

Please make use of whatever channels may be available to you to convey a similar message to German authorities. You should add that the warning applies with equal force to crimes committed at camps other than those specified.

Reports

-2-#2701, October 10, 6 p.m. to London.

Reports of all developments in this situation, submitted immediately after you learn of them, would be appreciated.

HULL
(GLW)

WRB:MMV:KG
10/10/44

WE

MS-118

PLAIN

Lisbon

Dated October 10, 1944

Rec'd 11:05 p.m.

Secretary of State.

Washington.

3100, Tenth, 6 p.m.

FOR LEAVITT FROM ROBERT PILPEL. JDC 88. WRB 217.

Saly received letter from Maurice Brener dated Paris, September 29 JDC letterhead, 19 rue Tehran. Saly is dealing with Brener and other similar JDC representatives as acting representatives until definitive instructions are issued. Saly has circularized all cooperating committees requesting financial statements and reports and pointing out that these are essential as basis for new phase of work to begin with ware end.

NORWEB

KJF

MS-119

PLAIN

04

Lisbon

Dated October 10, 1944

Rec'd 11:06 p.m.

Secretary of State.

Washington.

3101. Tenth. 6 p.m.

FOR LEAVITT FROM PILPEL JDC 86 WRB 216.

Your October 6, if Resnik proceeds Italy via North Africa will require North African validation for his passport. Possible he might be able arrange proceeds Italy via United Kingdom. Can you have authorization for Italy sent both here and London. Elie Goxlan Algiers advises Julien Goxlan leaving for Paris 49 Bis Avenue Hoche and that he places himself at our disposal.

HORWER

WMB

GEN-958
Distribution of
true reading only by
special arrangement.
(SECRET W)

Lisbon
Dated October 10, 1944
Rec'd 3:51 p.m.

Secretary of State,

Washington.

3099, October 10, 5 p.m.

Hungarian Legation Lisbon today wired substance
statement URTTEL 2679, October 6 to Budapest with request
for answers. WRB 214. Legation stated answer should be
definite as time for evasive or misleading statements
had passed. Will advise Department if and when reply
is received.

HCRWEB

JMS
VMB

MB-976
Distribution of true
reading only by special
arrangement. (SECRET W)

Lisbon

Dated October 10, 1944

Rec'd 4:27 p.m.

Secretary of State,

Washington.

3102, October 10, 6 p.m.

FOR LEAVITT FROM ~~ROBERT~~ PILPEL

This is WRB 215 JDC 85.

Kastner and another Jewish member of the
delegation will visit Saly within a few days. Saly
requests you authorized him to talk to delegation in
terms of 20,000,000 Swiss francs. All re requires is
possession of a document showing he is authorized to
that extent.

NORWEB

JMS
WNB

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Madrid
TO: Secretary of State, Washington
DATED: October 10, 1944
NUMBER: 3396

CONFIDENTIAL

With reference to message of 12:00 midnight, July 1 from the Department No. 1872, quota numbers, non-preference, given as follows were allotted for the month of September 1944 for refugee children, third 25% of block, returned unused herewith.

All numbers given are inclusive: French 43-61; Czechoslovak 33-47; Polish 14; Belgian 15-21; German 310-457; and the Netherlands 41-60.

On September 8, for use of e (*) haffenkraut, No. 309, German non-preference quota number, was assigned to Lisbon.

Reference message dated August 21, 8 p.m., from the Department No. 2324; for the month of September there were returned, not used, number 42-55 inclusive, being non-preference quota numbers assigned for refugee children from Hungary.

HAYES

(*) apparent omission

DCR:LCW:MLM 10-13-44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: October 10, 1944
NUMBER: 3475

SECRET

FROM WAR REFUGEE BOARD.

Please deliver the following message to Isaac Sternbuch, St. Gallen, Switzerland, from the Vaad Hahatzala Emergency Committee:

QUOTE CABLED YOU 428, 816 SWISS FRANCS FOR RESCUE WORK. RECEIVED MESSAGE FROM GRIFFEL IN WHICH HE REQUESTS YOUR FINANCIAL AID. LEAVING SHORTLY FOR RUMANIA CONTACT HIM FOR DETAILS RESCUE PROJECTS AND GIVE FINANCIAL SUPPORT. RECEIVED ALARMING REPORT 45,000 CIVILIAN PRISONERS AT CONCENTRATION CAMP IN OSWIECIN POLAND IN IMMINENT DANGER EXTERMINATION. VITALLY NECESSARY ESTABLISH APPROPRIATE CONTACTS TO DEAL DIRECTLY WITH OSWIECIN AS WELL AS KROTINGEN AND OTHER CONCENTRATION CAMPS TO ARRANGE FOR RELEASE OF THOSE HELD IN THESE CAMPS. ALSO CABLED YOU 85,410 SWISS FRANCS THROUGH POLISH LEGATION FOR RABBI SZMULEWICZ IN SHANGHAI TO BE DISTRIBUTED AMONG RABBIS SCHOLARS THERE. PLEASE DISPATCH TO HIM WITH INSTRUCTIVE MESSAGE AND CABLE US WHEN DISPATCHED. UNQUOTE

THIS IS WRB CABLE TO BERN NO. 204.

HULL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: October 10, 1944
NUMBER: 3481

SECRET

FOR MCCLELLAND FROM WAR REFUGEE BOARD.

Reference Legation's 6460, September 28, 7 p.m.

Proposal of American Friends Service Committee, Geneva, to purchase foodstuffs for refugees France outlined in your 5718, September 1, 2 p.m., approved by interested government agencies as well as the military. Accordingly, authorization to make purchases may be granted.

THIS IS WRB CABLE TO BERN NO. 205.

HULL

PARAPHRASE OF TELEGRAM RECEIVED

FROM : American Legation, Bern
TO : Secretary of State, Washington
DATE : October 10, 1944
NUMBER : 6948

SECRET

Reference is made herein to your October 3 cable No. 3404.

We have been advised through notice from Foreign Office October 9 that as result of more precise information on facts they have transmitted to Swiss Legation for notification of Hungarian Foreign Office quoted message which your August 25 cable No. 2933 contained.

HARRISON

Distribution of true reading only by special arrangement. (SECRET W)

October 10, 1944

6 p.m.

AMEMBASSY

ANKARA

879

The cable below for Steinhardt and Katzki is WRB 116.

The substance of following message has been sent to Bern as Department's 3461 of October 7:

QUOTE Information received by Department indicates that Jews in three concentration camps of Birkenau, Naeuss and Oswiecin have been ordered to be exterminated. This probably involves some 65,000 Jews.

Please convey to the German Representative at Bern through any available channels the information that the United States has been advised of this and also understands that Himmler has personally authorized this death order which certain other officials will carry out. There is thus a fixation of direct responsibility for this proposed crime. Appropriate consequences will follow in accordance with the policy this Government has declared, and will attach to all participants, if this proposed crime is carried out. UNQUOTE

Please make use of whatever channels may be available to you to convey a similar message to German authorities. You should add that the warning applies with equal force to crimes committed at camps other than those specified.

Reports

-2-#879, October 10, 8 p.m. to Ankara.

Reports of all developments in this situation, submitted immediately after you learn of them, would be appreciated.

HULL
(GLW)

WRB:MMV:KG
10/10/44

NE

DEPARTMENT
OF
STATE

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

OUTGOING
TELEGRAM

DIVISION OF
COMMUNICATIONS
AND RECORDS

103

October 10, 1944

1944 OCT 12 PM 12 30 5 p.m.

COMMUNICATIONS
AND RECORDS
(LIAISON)

AMEMBASSY,

CHUNGKING.

1316

FOR FRIEDMAN FROM TREASURY

1. Treasury would appreciate (reference your 1383,
August 10, 1944)

(a) Details on any recent criticisms of the
Central Bank's gold selling policy in the press
and at the last People's Political Council meeting.

(b) Details on the spread between forward and
spot and who specifically benefitted from it.

2. A speedy reply is desired.

HULL
(GL)

FVA:GL:db
10/9/44

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

SECRETOPTEL No. 330

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

1. NAVAL

During actions off Dutch coast 8th/9th MTB's sank a trawler and a minesweeper. Two MTB's slightly damaged, one by mine. On 6th/7th H.M. Destroyers sank one destroyer and damaged another in the Gulf of Salonika. On 7th Allied ships damaged a cargo ship and other small craft. Coastal forces sank three small ships and damaged a 750 ton tanker and a lighter in Gulf of Salonika.

On 7th/8th Coastal forces sank two schooners and damaged two others in Northern Adriatic.

On 9th aircraft from one of H.M. Escort Carriers, sweeping the Aegean hit a torpedo boat, a concrete barge and two Siebel ferries, one of which sank, and destroyed two trains near SALONIKA.

2. MILITARY

WESTERN EUROPE. North of BELFORT French have captured RAMONCHAMP and advanced to within one mile of LE THILLOT. U.S. troops have made advance of two to three miles astride road REMIREMONT-GERARDMER. N.E. of NANCY troops of 3rd U.S. Army have attacked northwards and advanced up to five miles on a front of seven to ten miles taking several places, including AJONCOURT and CHENICOURT. ECHTERNACH on LUXEMBOURG-German frontier has been cleared of enemy.

An attack has been launched against the Siegfried Line ten miles S.E. of MONSCHAU. Advances northwards from east of AACHEN and southeastwards from the north have narrowed the gap between our forces to four miles. Canadians have widened the salient north of ANTWERP, but have not yet entirely cut the Peninsula linking ZUID BEVELAND to the mainland. Other Canadians assaulted across the SAVOJAARDS PLAAT, West of TERNEUZEN, established a bridgehead one to two miles deep astride HOOFDPLAAT. Bridgehead across Leopold Canal firmly held and German counter attacks repulsed with heavy losses.

ITALY. Very heavy rain has hampered operations by 8th Army who have made slight progress near LONGIANO only. 5th Army have pushed forward about one mile along the roads to FORLI, FAENZA and IMOLA and also in the area south and S.W. of BOLOGNA.

FINLAND. East coast of the whole Gulf of Bothnia up to the state boundary now in Finnish hands.

BALTIC STATES. Russians have made progress on the Island of OESSEL and towards RIGA and have made considerable advances west and S.W. of SINULIAI.

BALKANS. Russians have made a general advance in HUNGARY S.W. of DEBRECEN, reaching the DEBRECEN-BUDAPEST railway and have progressed further in YUGOSLAVIA South of SZEGED.

3. AIR OPERATIONS

WESTERN FRONT. 8th. 289 A.E.A.F. bombers attacked railway targets, etc., in Western Germany dropping 462 tons with results generally good. 1301 U.S. fighters and fighter bombers (8 missing) destroyed ten German aircraft in the air and 38 on the ground, 36 hangars, 6 canal locks, 104 railway coaches, 43 locomotives and cut railway lines in 29 places. 340 tons dropped. 9th. 746 fighters (2 missing) escorted 1047 U.S. heavy bombers (5 missing) in attacks on COBLENZ - 868 tons, SCHWEINFURT - 729, MAINZ Railway centre - 441, and GUSTAVSBURG engine works MAINZ - 315. All results unobserved. Operations by A.E.A.F. greatly restricted by weather. Spitfires destroyed a JU 188 north of the Shetlands. Coastal Command aircraft probably sank three small merchant ships off S.W. Norway. 9th/10th. Bomber Command sent out 577 aircraft (6 missing): BOCHUM 435, WILHELMSHAVEN 47 Mosquitoes, other operations 95.

MEDITERRANEAN. 8th. Air operations considerably restricted by weather.

4. HOME SECURITY

9th/10th. Ten flying bombs plotted.

October 11, 1944
9:00 a.m.

LOS ANGELES SPEECH (Copy attached)

Present: Mr. Gaston
Mr. Murphy
Mr. Vanderpoel
Mrs. Klotz

H.M.JR: I haven't read the so-called Chicago speech, but my impression of this talk--well, in the first place, I questioned whether we would have to take a page to review. I raise that.

MR. MURPHY: Mr. Barth especially commended that, Mr. Secretary. Both Mr. Vanderpoel and I agreed that that was a particular happy thought.

H.M.JR: Well, it didn't leave me very happy, but I am not going to argue much now. I will argue when we get Henry Murphy on the plane!

MR. MURPHY: That is taking unfair advantage.

H.M.JR: Anyway, I am just going to give you my criticisms. They are not final, but at least that is the way I felt.

This comparison of the World War I and II debts--is this the only place I am going to say this?

MR. MURPHY: That is right.

H.M.JR: It bothers me to talk about the wartime borrowing of two hundred billion. Haven't we passed that now?

MR. MURPHY: No, sir.

- 2 -

H.M.JR: What is it?

MR. MURPHY: The wartime borrowing? They have to take out the pre-war debt.

H.M.JR: If it confuses me, it will confuse the listener.

MR. MURPHY: It might, Mr. Secretary. I think the reason Mr. Vanderpoel did it is, he wanted to get a quotable figure like five billion, and, therefore, he had to get a principal sum to relate it to.

H.M.JR: I am just going to run through this thing. It confused me.

MR. VANDERPOEL: You see, my idea on that was that unless you were rather specific in the amount you were saving you wouldn't be saying anything; and in order to be specific you had to make some sort of a rough estimate as to what the borrowing would be. We could, instead of doing that, take the borrowing to date and place it on that to get a somewhat smaller figure.

H.M.JR: I used a figure of four billion dollars in Chicago. They have all quoted that.

Now, you come along with a five billion dollar figure. I would rather take the whole debt.

MR. MURPHY: You can't apply this figure, use the one and three-quarters and take the whole debt, but you could, as Mr. Vanderpoel says, cut it back and have the same four billion figure you used in Chicago.

Interest on the whole debt is about one ninety-three, whereas the interest on the wartime borrowing--

H.M.JR: I would rather do it the way I did it in Chicago. It came out about four billion. I think this is confusing.

- 3 -

I like the stressing of the taxable and the non-taxable. I like this idea, "It thereby served to strengthen the private enterprise system."

You know, you talk about high interest rates on the top of page four. During the depressions you very often have low interest rates and nothing happens.

MR. MURPHY: Depressions cause low interest rates, but high interest rates tend to intensify depressions. That is, the mere fact of business being depressed tends to make interest rates low.

H.M.JR: Also, when business is good there is a demand for money, and then interest rates go up.

MR. MURPHY: That is right. But the going up is one factor which tends to again turn the business down again.

H.M.JR: Well, I have said this.

Has anybody around seen any financial writers jump on me for anything I have said in Atlantic city?

MR. VANDERPOEL: I haven't, but I haven't really had an opportunity.

H.M.JR: (To Mrs. Klotz) You tell Shaeffer to get me the data on my Atlantic City speech.

(Mrs. Klotz requests Mrs. McHugh to bring in clippings on Atlantic City speech.)

- 4 -

H.M.JR: The thing which I would like to suggest all through this thing is some way or other we could once or twice get back to this audience, just what does this mean to you--do you see?--so I am not talking so much over their heads.

Now, for example: "I do not see any need for wholesale post-war refunding of the public debt." Well, if it is true that we can say this, that is an argument which you people can use when you are selling these bonds to people who are buying these at the present rates and present prices, that they could look forward to a certain amount of stability and are not buying something which will either go up or down. But there is an underlying stability to the Government market which is almost unique.

Do you see? I'd like to sort of weave this thought into this thing. This fellow might say, "Well, now why is Morgenthau giving us a lecture on economics and fiscal policy? How can I, as a salesman, as a State Chairman, apply this to my State?"

I think if in some way, every once in a while when I make these different points, I could bring it back to them what this means to the State Chairman so he can merchandise it down to his county chairmen--will you think about that?

MR. VANDERPOEL: Yes.

H.M.JR: Otherwise he will say, "Well, why all this stuff?" I am going to repeat myself. Somehow, each time try a little sentence, "What does this mean to you?" I wouldn't do it quite so openly, but for the next war loan and the seventh, it means that the past, present and future of Government bonds should have a sense of security so he can buy more and not redeem them and keep them, which is unique in the security market. After all, these fellows are coming to hear me give them a talk so that they can use it in turn with their people.

MRS. KLOTZ: There have been no unfavorable comments. Everything has been favorable. (Refers to newspaper comments on Secretary's Atlantic City speech)

- 5 -

H.M.JR: Of course, the thing which isn't here, which I would like to say, I think the whole thing is a little dry, is that the price of money is one of the few things that has stayed stable; not only has it stayed stable, but it has gone down during the world war.

Why do you say this thing about bank earnings? Remind me when I come to it. You slide over the bank earnings too much, my friend. What is the matter with it?

MR. VANDERPOEL: I had more on that, and after consultation last night, we cut it down.

H.M.JR: Why?

MR. VANDERPOEL: Barth was very strong in the view that after all your appealing to these people, you want to go away with a good impression and you don't want to leave them feeling that you have rubbed it in, so to speak.

H.M.JR: Have you got it with you? Can I look at it?

MR. MURPHY: The original draft?

H.M.JR: The Barth thing on bank earnings, yes.

MR. MURPHY: It is written on in pencil.

H.M.JR: Well, you have from now until after lunch. Have just a little paragraph typed up for me so I could have a look at it.

MR. GASTON: You have cut that since I saw it last?

MR. VANDERPOEL: Yes.

H.M.JR: Let me have that, and what I also want to have is a paragraph on corporation earnings, and I thought when he said, "Industrial corporations have principally purchased certificates of indebtedness and Series C notes," that will be the point where I could say if I wanted to,

"and that is one of the reasons why the corporations have been such good customers of ours, because their earnings have been such and such."

I am not going to go clear to Los Angeles just to have dinner with Spyros Skouras! I am going out to do some good for Mr. Roosevelt.

And I want to build up this thing on the bank earnings. I don't know about Barth, because he isn't here; but I could say, "I can join with you. I congratulate the banking institutions. You should be happy."

I wouldn't rub it in. Just say, "How pleased you are; how pleased I am."

MR. MURPHY: He says now that their earnings are equal to their peak year, 1929. It sounded pretty good to me.

H.M.JR: It is not enough. I mean, you just slip it in. I think there is a lot of stuff here I'd swap for a Series E non-negotiable bond. I'd swap a sentence for something under corporation earnings and something on the bank earnings. I mean, in this flood of publicity to which you listen, My God!--Dewey keeps talking about ten million unemployed. I'd like to make a speech. And while we have these ten million unemployed and all the rest, the country is going to hell, the bank earnings have gone back to the peak of 1929, and the corporations have done this. And that is why they can be such good customers of ours.

Look, fix me up a couple of paragraphs, and let me look at them, and then I'll decide. But I very frankly want to put in a couple of plugs to show how healthy and how profitable our corporations and our banks are. Nobody is saying it--I'd like to say it.

MR. VANDERPOEL: I knew you wanted that, and I did have more in and Barth says that was just flung in, that it doesn't belong in here.

H.M.JR: I am going to drag it right in here by the

short hair after how good corporations are. Why can they buy all these credit notes--do you see?

MR. VANDERPOEL: Yes.

MR. MURPHY: It is a good point. I don't think it has any place in the flow of thought, but there is no reason why you can't say, "By the way--".

H.M.JR: And why can you look to the corporations to buy? Because they have these big reserves which have been built up over the last ten years. I am going to do it, so you might just as well make it sugar-coated. I am to do both. I am not going clear out on this trip without doing it.

MR. MURPHY: It is a perfectly sound and correct thing to say.

H.M.JR: As long as it is sound and correct, then find a nice way to drag it in so the boys will take their castor oil with sarsaparilla and not know until next morning what happened to them!

MR. MURPHY: The trouble is we have this theory, one speech-one theme.

H.M.JR: All right. I want to liven this thing up a little bit. Are you with me, Herbert, or not?

MR. GASTON: Yes, I'm with you moderately. I don't think we want to crowd it too much. We don't want to make it obvious that it is--

H.M.JR: I want to bring in the bank and the corporation earnings. Even the Times Herald gives me a perfectly good play.

MR. MURPHY: The subject-matter was pretty much non-controversial--that is, the Atlantic City speech.

H.M.JR: We'll keep it that way. Are they going to argue with me about saying the bank earnings are so much, and so forth?

- 8 -

MR. MURPHY: I merely meant the Atlantic City releases should be uniformly favorable because you didn't step on any toes.

H.M.JR: What I said at the press conference, at which I talked very freely about criticizing Dewey and the eleven dollars a week business, was that somebody would pick that up, some columnist. But they didn't.

Now, talking again about the banks, where are you talking about how fluid their position is--that puts them in an excellent position to assist business, and so forth? I'm just throwing this at you.

MR. VANDERPOEL: In this paragraph on page 6, beginning on the second paragraph, "In a word."

H.M.JR: I see. That is very good. I think that is all right.

Now, the last of six I don't like: "It has been a pleasure for me to come to this city of beautiful movie stars and perpetual sunshine--".

MR. VANDERPOEL: I thought that was just the lighter movement. You could give it to them with a smile. That was personal.

H.M.JR: I just don't happen to like it. I might feel different if I see a couple of beautiful movie stars, but if I don't, I don't!

MR. GASTON: This is a good argument, all the way through. It reflects a lot of credit on you and on the Administration. You don't need to emphasize it too strongly; you don't need to overplay it, because it is really good.

H.M.JR: Do you think so, Herbert?

MR. GASTON: Yes.

H.M.JR: I wish you would put the boys to work, Henry. Has the President said anything about low interest rates,

anywhere? If he has, I'd like to bring in one place the thing like I did in Atlantic City about the President backing us up on the volunteer plan. If there is anything along here he has said, maybe something in his Budget Message, you see--. He must have said something somewhere in one of his Budget Messages.

MR. MURPHY: I don't think there is anything very determinate, but we'll make a thorough search.

H.M.JR: Gaston wrote some good stuff for one of those Budget Messages. Take a look.

MR. MURPHY: Sure.

H.M.JR: See if you can't pick something up out of the President's Budget Message. I showed him what I said about him in Atlantic City. He liked it very much. "Very cute," he said, "is this something you are saying for the Sixth War Loan about me after election?"

I said, "No, sir, that was said last Saturday."

Incidentally, I'd like to work with you a little bit on the end. I like to call them Japanese. I don't like to call them Japs. You say Barth had a look at this?

MR. MURPHY: Yes, sir.

H.M.JR: Did he write anything, or is this your work?

MR. MURPHY: It is Mr. Vanderpoel's.

H.M.JR: Don't misunderstand me. I am getting on the plane not worried, do you see? That is the important thing.

MR. GASTON: You have a good speech here.

H.M.JR: I'm not worried, but I think a little time between here and this evening I can give you enough so you can start out writing a little bit. But I am just giving you my impression.

- 10 -

MR. MURPHY: Mr. Barth came over for a half hour or an hour, went over and read it, and made quite a number of suggestions to Mr. Vanderpoel with respect to style. I think the only substantive suggestion he made was the matter of the bank earnings, which Mr. Vanderpoel has told you--

H.M.JR: I want more of that and corporate earnings. As a matter of fact, you take a fellow who is out selling and it doesn't do him a bit of harm to stress the fact how healthy the financial system is.

MR. GASTON: You don't have to drag that about corporate earnings in, bank earnings; that is the type of security such as to fit the corporate earnings which were available for investment in Government securities. In fact, you have that idea in here and there. You can just feed in the fact that those corporate earnings which are being used are large.

MR. MURPHY: It could be done with a phrase.

MR. GASTON: Yes, or a sentence or two.

H.M.JR: Well, I don't know yet. There will be some time after lunch.

We have a good start. I want to thank you very much for making that speech.

MR. VANDERPOEL: That is perfectly all right.

Discussed at 9:00 meeting 10/1/44 -

Kangler ¹¹⁵
Draft #1 -

Secretary Morgenthau -- Los Angeles Speech

For the last week I have been addressing a number of meetings such as this in various parts of the country. During the course of these talks, I have endeavored to sketch briefly a little of the philosophy behind American war finance as we at the Treasury Department view it.

The democratic manner in which the financing of the war has been handled, I outlined, for example, last Saturday at Atlantic City. Today about 85 million individual Americans own bonds of their Government, bought not as a result of compulsion but for purely patriotic reasons and because they are a good investment, in the opinion of many, the best investment in the world. Think what that means as to the strength of the Government.

You are the leaders who made possible that great accomplishment. I congratulate you upon it.

Thursday, addressing a gathering similar to this at New Orleans, I emphasized the part which war finance has played in economic stabilization. The heavy tax burdens which the American people, generally speaking, have accepted with extraordinary good grace and the large proportion of the increase in the public debt which has been absorbed by the men and women of this country, have played a very

- 2 -

important part in holding inflation in check. It has been estimated that if prices during this war had risen as sharply as in World War I, there would have been approximately a 70 billion dollar increase in Government costs -- a 70 billion dollar additional burden fastened onto the country.

Today I would like to conclude this sketch with a quick examination of interest rates and a glance at the postwar public debt problem as I see it.

The great expansion in the Federal debt has been achieved with interest rates virtually steady -- again thanks largely to your efforts. Such change as has occurred has been to slightly lower levels. This contrasts with World War I when almost each new series of bonds carried a higher interest rate, so that the cost trend was almost constantly upward. As a result, the average interest cost on the war-expanded public debt, has been only 1-3/4 percent as compared with 4-1/4 percent for World War I.

Roughly estimating wartime borrowing at 200 billion dollars, the interest saving approximates 5 billion dollars a year -- quite a tidy sum to have saved for the taxpayers of this nation.

Moreover, and this is a point deserving of particular emphasis, the interest on all securities sold during the war

- 3 -

has been fully taxable while the issues marketed during World War I were all either wholly or partially tax-exempt. This has resulted in a further net saving to the Treasury amounting to several hundred million dollars a year.

I might point out that this was not the principal consideration underlying the Treasury's request in 1941 that Congress subject the income on all future issues of Treasury securities to Federal income taxes. Through the removal of tax exemption, all purchasers of Government securities come to pay their share of the war cost in proportion to their ability.

Incidentally, the Government in eliminating tax exemption relinquished any "unfair" advantage it might have had over private borrowers in securing credit. It thereby served to strengthen the private enterprise system.

Personally, I do not anticipate an appreciable or disturbing rise in interest rates in the foreseeable future. Savings are abundant and promise to be adequate to meet all likely demands. We believe, therefore, that we shall be able to refund our obligations, as they come due, at rates comparable to those now prevailing. In that case the savings to the Treasury will continue over a long period of years.

Moreover, quite apart from its value to the Treasury -- and, hence, to the taxpayers -- the continuance of low interest rates, will provide a valuable stimulus to the national economy

- 4 -

in the postwar period. High interest rates limit enterprise; low interest rates encourage it.

Just as I see no reason for substantially higher interest rates in the postwar period -- rates which would greatly increase the burden of servicing the public debt and which would make it difficult for private enterprise to expand and take up the employment gap that will come as war buying ends -- I do not see any need for a wholesale postwar refunding of the public debt.

In the first place, it would cost the taxpayers more in interest. Next, it would shift whatever risk there is inherent in fluctuating interest rates from the Government, which is able to bear it, to individuals, institutions and corporations. Certainly the day is past when the United States Government need ask its citizens or its business enterprises to insure it against changes in the rate of interest.

Finally, we have endeavored to tailor the debt structure to the needs of those who lend us the money and of the national economy.

The Series E savings bonds, which have been particularly close to my heart, have been intended, as you know, for the small individual investor. The small investor places his faith in his Government. Could we do less than see to it that the securities he buys are sound investments, as nearly as possible suited to his needs?

- 5 -

The Series E bonds, nonnegotiable, we feel are more likely to be retained as investments than would marketable securities, where panicky liquidation tends to follow any decline that might occur in market quotations.

These savings bonds, while not a war development, having been first offered ten years ago, have proved an admirable war finance medium which we intend to carry over into the postwar period. We hope that many millions of people will continue to hold a financial stake in their Government.

Industrial corporations have principally purchased certificates of indebtedness and Series C notes. These constitute a substantial part of their reserves for reconversion and postwar development. It is clearly advantageous not only to the corporations but to the whole economy that these reserves be liquid. The corporations thus know that the money will be available and that they will not have to take a loss to secure it and can proceed full speed not only with their conversion but with any expansion plans they may have.

Finally, there are the Government securities which now constitute a large proportion of the assets of the commercial banks. It has been our policy to encourage the banks to purchase issues of short maturity. As a consequence, about half the securities acquired by the commercial banking system since the beginning of the war have been bills and certificates maturing within one year and practically all of the securities

- 6 -

taken by the banks have had a maturity of ten years or under.

The result is that the banking system of the country is in a position of unparalleled liquidity. This affords assurance against a recurrence of such unsettling deflation as came in the aftermath of World War I. Further, it places the banking system in a strong position to meet the shifts in deposits that will probably come with reconversion and the new business demands for funds that may be anticipated with the development of ^a healthy, expanding economy.

In a word, the banks' part in war finance, great as it has been, instead of hamstringing them, has left them in a position to service enthusiastically a virile private enterprise system.

I might point out in passing that the banks have not only been able to maintain a strongly liquid position as a result of the manner in which the nation's war finance has been handled, but also they have found an opportunity for public service that has further increased the respect in which they are held. Moreover, while they have contributed much, they have not suffered financially. Net profits of all member banks of the Federal Reserve System last year were back at almost exactly the peak level of the boom year, 1929.

It has been a pleasure for me to come to this city of beautiful movie stars and perpetual sunshine -- a city which

- 7 -

has contributed a great deal to the war effort, not alone in your phenomenal industrial growth, in your production of airplanes, ships and other war material, but also in your enthusiastic support of the war finance efforts. I want to thank you who have been the leaders in that effort -- thank you upon the part of the Treasury whose job it has been to direct the effort, and, much more important, thank you for the United States of America, which, of course, is the real beneficiary.

If the United States is worth fighting for -- and millions of men on far-flung battle fronts are proving in actions more eloquent than words that it is -- certainly it also is worth working for, and our work -- yours and mine -- is by no means done. Our immediate task is to put over the Sixth War Loan, to do so just as decisively as our fighting men are establishing their positions in Europe and in the islands of the Pacific.

I know you understand the importance of this absolutely essential link in the war effort. But you must do more than understand it, you must make the people understand it, the men and the women in stores and offices, in factories and in the homes. These people must understand, as you do, that the time has not yet come to relax or celebrate, that we must speed weapons and supplies far across the Pacific to our armed forces who know full well that a hard fight still lies ahead before

- 8 -

they can bring us victory over the Japs -- and these weapons and supplies must be paid for. That is our task -- I know America can count upon you!

October 10, 1944

October 11, 1944
9:46 a.m.

HMJr: Hello.

Arthur
Goodhart: Hello.

HMJr: Arthur.

G: Hello, Henry.

HMJr: Can you hear me?

G: Yes, very well.

HMJr: Good. Arthur, I was sort of disturbed the other day. I got a letter from Frank

G: Yes.

HMJr: in which -- I don't have it in front of me -- in which he said he wanted to talk to me at my convenience as the result of a conversation he'd had with you.

G: Yes.

HMJr: And so I gathered you must have said something to him -- hello?

G: Yes.

HMJr: And I wondered just what you had said to him.

G: I -- uh -- didn't really say anything to him. I said that -- just that -- he mentioned that matter.

HMJr: Yes.

G: And he was worried in case you had thought he had really had anything to do with it.

HMJr: Yeah.

G: And I said my impression was that you didn't feel that at all, and that I'd -- he said to me -- he explained to me that he's anxious to explain to you that he'd had nothing to do with it. He hadn't ever been down there.

- 2 -

HMJr: Well, as you know, I was very careful -- I avoided getting into a discussion with you.

G: Yes, that's what I told him.

HMJr: What?

G: I told him that.

HMJr: Yeah. Well, did you bring it up with him?

G: Oh, no, he's spoken to me before about it.

HMJr: Yeah.

G: But all I said was that -- he said he wondered whether you would mind if -- if he came down sometime and told you exactly what his position had been in it.

HMJr: Yeah.

G: And that it was all closed. And I said, "I believe he would."

HMJr: Yeah. Well, if you don't mind, I'm a little sorry you brought it up with him.

G: What?

HMJr: Hello?

G: Yes.

HMJr: I say I'm a little sorry you brought it up with him but

G: I didn't bring it up with him. He asked me....

HMJr: Oh.

G: as to whether he -- whether I thought that you were angry about it or anything.

HMJr: Oh.

G: And I said my impression was that you weren't.

HMJr: Yeah. Well, I wrote him right back. I said I was pretty busy now

G: Yes.

HMJr: and that as long as he said it wasn't urgent, I'd see him after election.

G: Yes.

HMJr: And I -- I -- I guess that will be the best way.

G: Well, I know he wanted you to know -- it was merely that he wanted to explain to you and make it absolutely certain that you had all the facts.

HMJr: Well, I have all the facts all right, but -- if he wants to go into it it will be unpleasant, but

G: Yes.

HMJr: I'll be glad to listen.

G: Yes. Well, I didn't say -- because in fact I didn't know any -- I don't really know very much about those things.

HMJr: Well, you -- you couldn't have from me because I very carefully refrained

G: I know you didn't say anything.

HMJr: Yeah.

G: That's what I said. I mean, I did not -- that's really the idea -- why he wanted to come down and see you.

HMJr: Right. Okay, Arthur.

G: All right.

HMJr: Thank you.

G: Sure.

HMJr: Good bye.

G: Good bye, Henry.

HMJr: Good bye.

Please
Return
to Mr. M.

126

Oct. 11, '44.

PHILIP J. GOOBHART
654 MADISON AVENUE
NEW YORK 21, N. Y.

Dear Henry,

I am sorry if there has been any misunderstanding. I suggested to Frank that as the matter had been concluded for some time, it would now be proper for him to explain his position to you. It seemed a pity that any possible doubt should be left. I, of course, did not say that you had expressed a view on the subject as you did not do so. I told Frank that I had mentioned to you that he knew nothing about the matter and that he had been indignant when he had heard about it. Personally I have only a sketchy idea what it is about. My only concern was that at some time Frank should be able to explain his position to you.

I am off to England Friday or Saturday.

Ever yours,
Arthur.

October 11, 1944
9:54 a.m.

HMJr: know about the

Harry Hopkins: Yeah.

HMJr: P.M. I'm just here for a couple of hours. I'm going on to New Orleans and Los Angeles to speak for War Bonds.

H: How tied up are you for the next two hours?

HMJr: I'm never too tied up.

H: Well, now if I could come right over, could I see you?

HMJr: Uh

H: Or I'd come -- I could fix it any time, I think.

HMJr: Well, I'll tell you, the best time for me would be

H: Just before you go?

HMJr: Uh

H: (Aside: What have I got this morning? All right.) Yeah, I could come any time, Henry.

HMJr: Any time?

H: Any time.

HMJr: This morning is better than this afternoon?

H: Yeah, sure.

HMJr: Well, a quarter of eleven?

H: Yeah. It's ten minutes of ten now.

HMJr: Yeah.

H: Good.

HMJr: Fine.

- 2 -

H: All right.

HMJr: Quarter of

H: All right, Henry.

HMJr: Quarter of eleven. Thank you.

H: Bye.

HMJr: Good bye.

October 11, 1944
10:10 a.m.

UNEMPLOYMENT PROGRAM SPEECH

Present: Mr. Gaston
Dr. White
Mr. Nathan
Mrs. Klotz

H.M.JR: What I told Henderson--

MR. NATHAN: I talked to Leon yesterday at lunch in New York.

H.M.JR: This naturally has to be confidential. I am sure in this group I won't read about it in Arthur Krock's column.

I have been working for three weeks to try to sell the President the idea that he should do a discussion on jobs, and I finally succeeded the other night. He has been very loath to do it.

I know I talked some time ago to Sherwood, and Sherwood said, "See if you can't get him to do something, because we think it is important." I don't know whether you agree with me.

MR. NATHAN: I think it is desperate. I talked to Harry Hopkins about it a month ago, and also talked to Rosenman around the beginning of last week about it. It is important.

H.M.JR: Yes. Well, it isn't evidently generally known that he is going to talk in Chicago, and he said this is most likely where he would use it. But I didn't want to ask you to pour your heart into it unless he would ask me to do it and there was an excellent chance of his using it, do you see?

Now, I thought--well, you fellows can talk it over, if you want to, with Rosenman and anybody else and get what they have. I don't know what they have; the President

- 2 -

didn't tell me. I simply said it would be you people and Henderson. That seemed to please him. He didn't say to consult with anybody, but I am not going to tie your hands.

All I can tell you, very briefly, because I have been thinking about it and I need somebody who has a fresh mind, I'd like him to tackle this thing the way he talked to me before he was President in 1932. He had this whole WPA thing thought out. He had thought out how he was going to use the Army and the Navy, and how he was going to put people back to work. The whole thing was a fresh, original conception, and I think largely in his own brain.

I go back to the days when I was Conservation Commissioner. I am going to gossip like an old man, at least to go back to describe the kind of thing I have in mind. After all, in those days I did work out the first unemployment project where I took two hundred transient boys passing through New York and put them to work. We first started by running a train up and down every day; then we had a camp for them. We had two hundred boys, which as far as I know is the first thing of its kind, to work in the State parks. Then we had this business where they went into the forest and cut the wood, also using the unemployed.

Anyway, some place, some way, some how, between us I think we have got to give a sincere--put into the President's mouth a sincere talk of what there is facing not only the soldier who is returning--and Anna Rosenberg did a wonderful job in the New York Times yesterday on what the soldier goes through, the various agencies available for him.

But all of those are just agencies--what the man who is working in Lockheed or Boeing has to look forward to--just go overboard on this thing.

Now maybe you have done a lot of thinking about it. I know what I want for him. But I want him to be able to convince the people that we have plans, there are jobs, that we want a high level of productivity. I certainly am very strongly in favor of a high level of consumption. I am all opposed to this damned thing that they got in

- 3 -

Congress where just as soon as they see prices are dropping they are going to subsidize, you know, to keep prices up. Nobody has any plans for a high level of consumption. They give out a statement where it shows that there will be either six million or eight million tons of food immediately available. Nobody has said anything of what they are going to do with them, which is far in excess of what Europe can absorb. There are no plans for consumption.

And I'd like him, as I say, if there is enough originality around town, to give a rip-snorting 1932 speech.

MR. NATHAN: You want a speech that really gives hope and confidence and optimism about the future and spells it out about how it can be done; and secondly, to the extent that it can be agreed upon, how to.

H.M.JR: That is right.

MR. NATHAN: I don't think there is any question we can build a tremendously hopeful speech, one in which you take the sweep of recovery from 1932 to 1940, or 1933 to 1940 as the initial period on the way to this maximum output, on the way to this America of abundance; and then demonstrate the tremendous productivity we have achieved during the war and how there is no reason why in peacetime this can't be provided and what it means in the standard of living, especially in terms of consumption, in a new America, a rebuilt America, and an America of a real standard of living.

H.M.JR: Again, as I say, I tried to bluff, but I can't bluff these fellows, but in England they have gone so far. Everybody on the street knows how many houses they have to rebuild.

MR. NATHAN: They have got a good White Paper. The Moulton Plan hasn't thought out every little detail, but it is a darned good plan of post-war England.

H.M.JR: So many houses have been destroyed.

I sent you a War Cabinet memorandum. Did you get that from Keynes on this housing business?

- 4 -

DR. WHITE: I didn't see it, if I did.

H.M.JR: Mrs. Klotz, will you make a check?

The War Cabinet is studying the thing. We have nothing like that. Take their White Paper; everybody knows.

DR. WHITE: Do you mean those charts?

H.M.JR: No, it wasn't a chart. When I went over there, the first thing Churchill tackled me about, he says, "Well, all these people"--I know what he called them, social workers, I think--"all want to do this thing. I am not opposed to it. It is all very nice and pretty, but who is going to pay for it?" But at least they have a plan.

Now have we time to give Mr. Roosevelt a plan, Bob?

MR. NATHAN: Certainly.

H.M.JR: What you really want is a White Paper.

MR. NATHAN: We can give it to him.

H.M.JR: Aren't there enough New Dealers left around that you and Harry can put your finger on that are out in business making money like you and Leon Henderson!

MR. NATHAN: I am working on the campaign a hundred percent of my time, but there are still some around.

H.M.JR: You have had this wonderful experience in the Army, and you know how good the Army has been to you. You can talk about that.

MR. NATHAN: We can put out a program and spell it out, I think, very dramatically and do it pretty quickly.

H.M.JR: May I say this--do you see? Here is the thing: Why did the President take the so-called "Morgenthau Plan"? It is a bad name, but anyway, because he told me in Quebec he had been hoping for something for six months

- 5 -

and nobody had given him anything. We here in the Treasury come along and give him something, and the man is desperate. He takes it. He likes it. He accepts it.

He most likely is in the same frame of mind on this, that everybody can make a speech on jobs, but nobody will give him one. But I didn't want to start on the damned thing until he said to me, "Henry, I want it." He said it, Sunday night. All right, now I am willing to go to work on it, and if we give him something which is good enough I think the chances are two out of three he will take it.

But the trouble is, nobody has given him something which is good enough. Now, all I can do is be the entrepreneur and also make sure that the thing is good enough. But you fellows have to do the spade work. I think it could be a major contribution to his re-election.

MR. NATHAN: I think it is one of the keys to the re-election; I mean a speech of real hope and real enthusiasm. It will take away all this fear the people have--and they have a heck of a lot of it about jobs.

H.M.JR: Well, look at this fellow Dewey. I mean, I don't want to answer Dewey in this speech, but he keeps driving it home, home, home about the ten million unemployed and scares the death out of people.

MR. GASTON: The devilish part of it is that that is an AFofL figure, inaccurate as it is, and floating in a vacuum as it is. You can hardly say it is not good, simply because it is an AF of L figure.

DR. WHITE: What is worse--it is probably correct!

MR. GASTON: You can deal with the increase in employment, can't you, Harry?

DR. WHITE: I am speaking about the figure.

MR. NATHAN: If they revise their figure in the Census Bureau, it would be about two million less.

- 6 -

DR. WHITE: And if you want to make proper allowance for the people who would work if they were a little better conditioned, you could add two million more.

MR. NATHAN: Be that as it may, there were still twelve million more jobs in September, 1940 than in 1933 in private industry.

H.M.JR: Bob, I'd make a completely fresh approach, completely new, and give the fellow something new to talk about so that the people will say, "God, who says Roosevelt is tired? This is the Roosevelt that talked about the banks!" And the worst thing that we have is fear of fear itself. I mean, that is the kind of thing I want to see.

MR. NATHAN: That is what it has to be. It has to be of the future, not trying to rationalize the past.

H.M.JR: Just the kind of speech he did on the banking thing.

What do you think, Herbert?

MR. GASTON: I think it is good. I think it is very desirable. You can almost repeat what he said, that the thing we have to fear most is fear itself, because we are developing a tremendous psychology of pessimism right now.

MR. NATHAN: You see, the one thing he can do is, first, start out by dispelling from anybody's mind any conception that they might have that we must go through tough times after this war.

I mean, you can throw that off quickly by very dramatically telling the people what we have accomplished during the war, not in a lot of statistics, but the extra material, the aluminum, the manpower, the skill, all the new machine tools. America today is producing almost as much munitions as the rest of the world. That gives incontrovertible proof that we have the resources here in this country the like of which we have

- 7 -

never seen, a standard of living that will make our pre-war or 1920 standard of living pale into insignificance.

The second thing is, we have those productive resources and we know we can do it in peace as in war. You spell out what it means in the renovated, high standard of living in America.

Then, here is how we are going to do it: Soak the monopolies, the Wall Street domination; have a positive tax program; come in on jobs within private industry and Government jobs only as the last resort. We are not going to have Government coming in and let the whole thing run wild. What we are trying to do is try to take the sickness out of this so this economy of ours functions and functions successfully without these old depressions, and here is how.

I think that can really be spelled out to have a terrific punch.

H.M.JR: What do you think, Harry?

DR. WHITE: I think it is a political speech. All that is highly desirable. I think we are missing the main issues, which it may not be necessary to bring in. I am not sure we could agree, say, on how to bring it about. It is all right to say all that, but actually you are talking about two different things, if I understand it correctly. One is a campaign speech which will accomplish the objective that you have outlined, and I imagine it would have to be along the lines you are saying.

Whether you can get a speech which would be convincing without a specific program--whether you can get a program which will be convincing and at the same time acceptable to the President--is an open question. But that is the thing we have to work at.

You remember, you mentioned a few weeks ago--well, we started the work on something of that kind.

H.M.JR: Did I mention it a few weeks ago?

- 8 -

DR. WHITE: You asked us to draw up some kind of a program.

H.M.JR: Oh, yes. What did I call it when I asked you?

DR. WHITE: It was a domestic program.

You are faced with the task of devising a program which, on the one hand, will assure sustained prosperity and, on the other hand, will be acceptable. It is a whole lot easier to do the first than the second, particularly in a campaign speech, because there is a large number of things or certain outstanding things that we think are an essential requirement for the maintenance and the utilization of this full capacity which is easily demonstrable.

But whether the President will accept that, whether he will come out at this stage for it, is another matter; but all we can do is to try to whittle it down, bring it as close to what he might--

H.M.JR: Now, I don't want a speech. I want a program. Let him write the speech.

DR. WHITE: Well, I think that Bob was concentrating more on the speech, but maybe he has a program.

MR. NATHAN: No, I think it has to be a program. I was just giving you the outline of the speech, but first you start with this demonstration of what we have.

DR. WHITE: That is effective and necessary, but not part of the problem.

MR. NATHAN: The second thing which is also not the problem is what that means in terms of what we can accomplish. But third is how to do it.

DR. WHITE: I think the best way to go about it is the way you are suggesting. We'll try to "rassle" through and see if we can agree on something that might be acceptable.

- 9 -

MR. NATHAN: I have something I'd like to have you look over. It is a short thing I gave to Sam Rosenman last Monday. He thought this last speech might get into the program. I gave him a memo; it is short, about five and a half pages, in which I talked about the principles of free enterprise in mass consumption.

Then I gave him a rather condensed program, first on taxes, second on social and economic security, third on monopoly. This really has to be elaborated. (Hands document to Dr. White)

DR. WHITE: This is a good starting point.

MR. NATHAN: Foreign markets, the rights of the worker to be protected, the farmer, and then private employment over Government employment, private jobs and public jobs. It is, in a sense, a very superficial statement.

DR. WHITE: It is very general. The difficulty comes when you depart from the general and get into the specific.

H.M.JR: Leon says he is going to put his head on this, too. He is quite excited about this, isn't he?

MR. NATHAN: Yes, very.

H.M.JR: Well, now, I am leaving this afternoon for New Orleans and Los Angeles. I'll be back Monday morning. I'd like to get together with you fellows and then have something Monday morning, at least as a start.

DR. WHITE: Well, it doesn't take a lot of time. We have all been thinking about it. It is a question of agreeing on what is necessary and what is feasible.

H.M.JR: Well, you ought to corral what is left of the remnants of the New Dealers and let them all put their ideas into a hat.

DR. WHITE: It is an opportunity. If they can't give a program that will be effective and acceptable, at least they certainly have the responsibility for trying.

- 10 -

I think it is easier to devise a program that will be effective than to devise one that will be acceptable, but that is part of the job of selling it to the President. That is the way to help shape his policy.

MR. NATHAN: Yes, I think it serves the purpose of his telling the country that he has a program and selling it to them, and secondly, selling him a program which, after all, if he is going to achieve this he has to adopt.

DR. WHITE: You can sell him the program if he thinks he can sell the program. Therefore, it has to be practicable and has to be convincing, and from our point of view, do the job. It is easy enough to make the kind of generalizations which will go into a speech, but which we know aren't going to matter in bringing about the sort of thing we want to bring about.

MR. GASTON: You are not going to get a definite program.

DR. WHITE: That is what I am a little afraid of. It is too close to election.

MR. GASTON: There will be fewer generalities than the little fellow has been putting out. It will be more realistic, but still it won't be a program.

MR. NATHAN: No, it is a program in the sense that, like a tax program, you don't come out with rates and you don't come out with the relative amount for each type of tax; but you come out with a definite policy on excise taxes, you come out with a policy in terms of corporation taxes, you come out with a policy on income and inheritance taxes, a policy with respect to the principle of ability to pay, a policy, perhaps, with respect to some effort to increase state, Federal, and local taxation. If, within those fields, you have a set of policies and principles that are adhered to, you have a program.

DR. WHITE: Well, we can all judge better after we see the document.

H.M.JR: Okay. I will be back Monday, and I'll be

- 11 -

giving you all a ring.

MR. NATHAN: I have to go to New York this afternoon, but I'll be back Friday. Leon will be back here tomorrow, I think. In the meantime I'll go ahead and do something, but I'll sit down and talk to Harry this morning.

H.M.JR: Herbert, you put your old bean on this, too.

MR. GASTON: All right. I haven't any!

H.M.JR: Very, very confidentially, this is to come after the 21st.

DR. WHITE: On the 21st he is making a speech, I suppose on his foreign policy.

H.M.JR: There is a speech in Chicago coming after the 21st.

October 11, 1944
3:00 p.m.

GROUP

Present: Mr. D. W. Bell
Mr. Gaston
Mr. White
Mr. Sullivan
Mr. Haas
Mr. Blough
Mr. O'Connell
Mr. Pehle
Mr. C. S. Bell
Mrs. Klotz

H.M.JR: I hope nobody has anything too difficult.

Here is one thing that is difficult. This is the way the boys get together, "H.D. White, 'I think the matter should be discussed with the Secretary before it is signed.' D.W.B., 'I don't see why this bill is necessary.'" (Referring to Report to Senator Wagner on Bill to Permit Sale Abroad of Newly-Mined Domestic Gold and Silver.) (Laughter)

I got a good laugh out of that one. I flipped a coin and decided to do nothing.

MR. D. W. BELL: It really doesn't make a lot of difference to me. But I don't see why we have a bill at this time during the war that they can export newly-mined gold and sell it abroad.

MR. WHITE: There is a lot of pressure for it, and we thought that by agreeing to it and putting it under the terms we have, it would head it off, because they have the notion that there is a lot of money to be made, the gold-miners, in India and elsewhere if only they are given permission to do it.

- 2 -

MR. D. W. BELL: They get thirty-five dollars an ounce; they are making a lot.

H.M.JR: I tell you, I am going to add my note on this thing. "I want to know where Dewey stands on this!"

(Mrs. Klotz enters the conference.)

MR. WHITE: All right, and we will file it until after election, and then you can say, "Who cares?"
(Laughter)

H.M.JR: Pass this to the Under Secretary. (Hands file to D. W. Bell.)

I am learning. The first eleven years are the hardest. I have learned a thing or two from Civil Service.

H.M.JR: I see that Patterson of Monetary Research is to go to Europe. Why?

MR. WHITE: We got him out of the Navy. He is still in Navy uniform, but he is assigned to the Treasury, as we discussed earlier, and he is to go to London with the intent of being one of the men to go to Germany. He is in the Navy, but he has been assigned to the Secretary of the Treasury, which is very nice of them, because he is no longer under Navy control until you release him.

(The Secretary signs travel authorization for Mr. Patterson, addressed to Secretary Patterson.)

MR. C. S. BELL: We just had the letter the other day from Jacobsen in the Navy sending him over.

MR. WHITE: Forrestal is cooperating a hundred percent.

MR. D. W. BELL: That is the third one.

H.M.JR: Charlie, stay behind one minute on this Mrs. Dawson thing, will you? I want to talk to you and Mrs. Klotz about that.

- 3 -

H.M.JR: Herbert?

MR. GASTON: We have a man, a former Chief Chemist of Customs, Williams, who is in the Navy, I think, as a lieutenant commander or commander. He is not doing anything of any value. Our people learned that he would like to get out, and he thinks he could, very easily. Would you have any objection if we addressed a letter asking him if it is convenient and will not interfere with the war purpose to release him? Wollner is leaving, and we really haven't anybody else that is qualified to take that job as Chief Chemist.

H.M.JR: Is he good?

MRS. KLOTZ: Wasn't he there before Wollner got the job?

MR. GASTON: Yes, it is his job. Wollner was simply substituting in it.

H.M.JR: Is he good?

MR. GASTON: Well, I think he is. Our people think he is pretty good. In any event, legally, he gets the job when he comes back from the Navy.

H.M.JR: Is he any good?

MR. C. S. BELL: I have never heard of him.

MR. GASTON: He has been the Chief Chemist in Customs for years. Wollner says he is a good man.

MRS. KLOTZ: Which means nothing, but anyway--

H.M.JR: What do you recommend, Herbert?

MR. GASTON: I am just asking your permission to sign a letter or asking Dan Bell to sign a letter to the Secretary of the Navy asking that the man be released.

- 4 -

H.M.JR: Permission granted.

What else? You will have a chance, possibly, to look over some of those editorials?

MR. GASTON: I have written three letters--all the editorials I could get hold of this afternoon. They are the only ones I was able to get from upstairs.

H.M.JR: Did they find the Cleveland Plain Dealer?

MR. GASTON: They didn't give me that one. How long have I? I could dig that up and write something. Do I have half an hour?

H.M.JR: I hope to leave at the end of this meeting. That is all right. I will be back Monday.

Anything else, Herbert?

MR. GASTON: I can't think of anything at the moment.

MR. SULLIVAN: I have nothing, sir. I would like to see you for fifteen seconds afterwards. That is all.

MR. PEHLE: Has Seavey ever been in here?

H.M.JR: No, but we wrote him, and I got a very nice letter from him today.

MR. PEHLE: I am going to be in Boston on Sunday. Would it be a good idea if I look him up and have a talk with him?

H.M.JR: Very good.

MR. PEHLE: I will do that.

H.M.JR: He is a man in his early fifties, the prime of life.

Joe?

MR. O'CONNELL: I don't have anything in particular.

H.M.JR: What is McConnell doing these days?

MR. O'CONNELL: I haven't seen him in three weeks. Have you, Dan?

MR. D. W. BELL: Yes, he is down at the farm and is sort of waiting for some assignment. He is on a per diem basis, you know, when he comes in. And he says, "There isn't much use of my spending the Government's money unless I have something to do."

He is watching the Hinckley outfit and serving over there whenever there are any meetings and whenever it is necessary to have a meeting in my office. But that isn't very much work. I have a report here which he has given me on German iron and steel industries and the German economy.

When you first asked us to work on the German problem, we had a meeting in our office, and it was more or less agreed that Bob would take on this end and Harry would take on the other part that you wanted him to, plus the social end of it.

H.M.JR: Harry does the social end very well.

MR. WHITE: With the Germans?

MR. D. W. BELL: That didn't set very well.

So Bob has had the report prepared, and he called me Saturday and said that it was done. He thought probably he ought to do it at his own expense, so he had all this done out of his own pocket.

H.M.JR: Why out of his own pocket?

MR. D. W. BELL: He thought that probably he should have stopped when--

MR. WHITE: I don't think so. We explained to him that the work that he was doing would fit into the program,

- 6 -

and I imagine--I haven't seen the report, but I presume that much of the data he has there will be useful to somebody when the program is implemented, or if another program is implemented.

H.M.JR: Sure, we will buy the report, sight unseen.

MR. D. W. BELL: He thought probably he should have discussed with you whether you wanted him to go on. He said he had certain people working on it, so he just let them go ahead, and then he paid for it.

H.M.JR: Charlie, we will pay for it.

MR. C. S. BELL: Surely.

H.M.JR: Do you want to hand it over to White?

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

MR. WHITE: He was wholly following out instructions to go ahead with this report; there is no question about it.

H.M.JR: Incidentally, what arrangements do we have with Vanderpoel?

MR. GASTON: We pay him his per diem--we pay him for his actual expenses when he comes in here when we ask him to.

H.M.JR: Has that been taken care of?

MR. GASTON: I don't think he has put in his bill this time.

MR. C. S. BELL: He always does, but he hasn't yet.

MR. SULLIVAN: He is here today.

H.M.JR: He is going with me on the trip.

- 7 -

MR. GASTON: The Comptroller General's office has ruled that we couldn't pay them both per diem and expenses, but we pay actual expenses, which amounts to more than the six dollars.

MR. BLOUGH: He is not on the pay roll, though.

H.M.JR: Joe, you have the ruling on Procurement, don't you?

MR. O'CONNELL: We haven't the ruling yet. We are working with people from RFC and the War Department, and we are in touch with the Attorney General's office. But we don't have a ruling yet, and it is just well we don't have, because if we had a ruling today, it would be a bad ruling, and we are trying to work on the Attorney General's office enough to get one that will help us a little bit. It is a tough battle, because the people in the Attorney General's office, particularly in the Criminal Division, are not inclined to construe that statute in such a way as to give any protection to the people that Mr. Olrich has hired and who we must have to keep the shop running. And all of them will leave unless we get a better ruling than has been indicated to us. But I hope by next Monday or Tuesday when you are back we will have gotten the best we can get at the level at which we are dealing, and it may be at that time that something from above might be helpful. We just can't tell you.

H.M.JR: What do you want, manna?

MR. O'CONNELL: I don't think we will need to go that high. (Laughter)

H.M.JR: Well, you said from above. I just didn't know what you meant.

MR. O'CONNELL: I really meant from the front office.

MR. GASTON: You have to define your levels, Joe.

H.M.JR: Very cute. Your wings might melt!

- 8 -

MR. D. W. BELL: Mr. Secretary, I think you really ought to give Olrich quite a bit of time on Tuesday to go over this situation and get the picture that he has confronting him down there if we don't get the right kind of decision. He has the resignations of a number of people on his desk.

H.M.JR: Well, what I want to ask you and Charlie Bell is, how come that a million and a half dollars' worth of checks could be in the district office for twelve months?

MR. C. S. BELL: Kansas City?

H.M.JR: It is a district office. How can that be?

MR. C. S. BELL: Just negligence. They piled them up.

H.M.JR: But don't we have some kind of inspection force that goes around?

MR. C. S. BELL: I am afraid we didn't have. I would like to have prepared for you a report on Monday covering a number of points on Procurement.

H.M.JR: Nobody is getting fired over there, and they find all these things. I think somebody should get fired for gross negligence. If a million and a half checks kicked around in an office, one hundred and twenty-five thousand dollars here in the Washington office, why do they wait? They move a fellow out and put him on ice. I would fire the fellow.

MR. C. S. BELL: Well, you don't have a whole lot of time to go into this today. It is quite a long drawn-out program.

H.M.JR: I still say that that kind of thing is inexcusable. I would fire him on the 8th of November.

MRS. KLOTZ: The heads are going to fall on that day.

- 9 -

MR. O'CONNELL: May I say that apart from the problem that we are working on, there are a number of things that I think Mr. Olrich ought to have an opportunity to talk to you about. We have any number of problems, and I think he is deserving of an hour or more.

H.M.JR: He asked for an hour, and he got fifteen minutes the other day. He was perfectly happy.

MRS. KLOTZ: That is what he tells you.

H.M.JR: He tells everybody his troubles. Maybe one of you fellows will do something when I am out of town.

MR. O'CONNELL: He talked to Dan and me for an hour and fifteen minutes the other day. The main purpose was to convince us that we ought to tell you that he needed an hour to talk to you. (Laughter)

MRS. KLOTZ: That is wonderful.

MR. GASTON: It is complicated if a guy has to do all that lobbying to get an interview.

H.M.JR: Roy Blough has to ride to Los Angeles if he hopes to sell me his tax program.

MR. GASTON: That is what we were trying to find out, why he was riding to L. A.

H.M.JR: He was very useful at Atlantic City. The Bureau of Internal Revenue did such a wonderful job that a group of newspapermen knew nothing about these new tax returns. They started questioning, and Roy had to get up and tell them. These were Philadelphia newspapermen and New York reporters. They were good reporters, and they knew nothing.

MR. BLOUGH: They seemed to know nothing, Mr. Secretary.

- 10 -

H.M.JR: They simulated knowing nothing--how is that?

MR. GASTON: There is a certain character of releases we ought not to limit to Washington distribution. We ought to get mechanics for getting them pushed out into the field through local Revenue offices or offices concerned.

H.M.JR: We talked about that in 1934.

MR. GASTON: And we had an arrangement.

MR. SULLIVAN: That is done in Internal Revenue. In fact, almost all of your publicity does come out of the Collector's office, rather than the Washington office.

H.M.JR: Roy was there, and he only had one copy. This time he is taking a sample for everybody.

MR. BLOUGH: I am under this impression--

H.M.JR: And Roy is non-partisan, too!

MR. BLOUGH: That thing went out and was in some of the papers. But that was the end of it. Now, of course, they won't let it be the end of it.

MR. SULLIVAN: The time for pressing that is the latter part of December--just before it is used.

H.M.JR: Dan says the latter part of October, to show them how good we are.

MR. SULLIVAN: No, the time to get your publicity on that is just before people use them.

- 11 -

MR. D. W. BELL: The trouble is, those forms are such dry reading that they look at them and throw them aside on the desk.

MR. BLOUGH: I don't know whether anybody printed anything about it. Anyway, I have some copies along.

H.M.JR: Joe, are you through above, below, and everything else?

MR. O'CONNELL: Yes.

MR. HAAS: I have nothing.

H.M.JR: Wonderful!

MR. BLOUGH: I hope I get a chance to talk with you a few minutes between now and Los Angeles! (Laughter)

MR. D. W. BELL: I hope you have better luck than we did on Olrich.

H.M.JR: You talk to Joe Gaydica about it.

MR. GASTON: Is Joe going to be along?

H.M.JR: Yes, somebody has to tell me where my party goes after I go to bed!

MR. BLOUGH: You might keep an eye on Joe. In Atlantic City you went out and hunted us up, yourself.

- 12 -

MR. GASTON: What information does he give the party?

H.M.JR: I don't know.

DR. WHITE: You asked about the release on Italy this morning. That was identical with the release which had been drafted partly here, which you approved with one exception. He added the words, "War Department." You had had Treasury, State and FEA. Someone inserted the words, "War Department." There was one other slight change. Other than that, it was identical.

And Hopkins, I understand, called up before it was released to find out whether there had been any change.

H.M.JR: Hopkins was over here this morning. I hear there was a big row over that thing. FEA wanted some last-minute changes and the White House wouldn't approve.

DR. WHITE: We didn't know anything about it. We thought they wanted it as was.

H.M.JR: The White House did, but FEA--Lauch Currie--had some personal, private changes he wanted to make, and he was ordered to withdraw them.

MR. D. W. BELL: The trouble originally was in the State Department.

DR. WHITE: Yes.

H.M.JR: The State Department's attitude was they would stand on what they initialed that came over from the Treasury. They wouldn't accept them because they hadn't seen them. But Lauch Currie had something he was trying to put across at the last minute. I wouldn't take it any further, Harry, out of the room here, because I was told this is a secret. I'd just as soon it didn't get back to Lauch. If he mentions it to you, that is all right; but there was a hell of a row, but I don't want it to get back to Lauch from the Treasury.

DR. WHITE: All right.

- 13 -

Keynes was in with a Mr. Sinclair, a British person who is going to have charge, I think, of some of the estimates for the documents which they are preparing for you.

H.M.JR: May I interrupt you? This Mr. Sinclair happens to be in charge of all production for England!

DR. WHITE: This is Robert Sinclair. You are thinking of the Cabinet Minister.

H.M.JR: Yes.

DR. WHITE: I don't think this is the one.

H.M.JR: I apologize. I was told he was coming. They told me Sinclair in charge of production was coming.

DR. WHITE: You may be right. I thought it must be some other Sinclair.

H.M.JR: It has happened occasionally!

DR. WHITE: Yes. You don't remember what he looked like, do you?

H.M.JR: Are you about ready to bet me?

DR. WHITE: Yes, because I think this one was shorter.
(Laughter)

Well, Keynes and he were worried that according to your instructions none of their men should talk to anybody else. I said I didn't gather that was your instruction. They said they would have to have some discussion with their opposite numbers in the Army and Navy to get some information with respect to certain types of aircraft, and so forth. I said I presumed that that didn't relate to the sort of things you objected to. Unless I called them up, they could go ahead. They presented a memorandum on the subject.

I have a note here to see you on the program with regard to how many speeches we can count on you for, and some other things here--and whether you will see Mr. Green

- 14 -

and Whitney and Murray, and so forth.

H.M.JR: That had better wait until after I have seen Mr. Olrich. In other words, the first thing I do when I come back, under this pressure, will be to see Mr. Olrich.

DR. WHITE: All right, that won't take you but fifteen minutes!

H.M.JR: What else, Harry?

DR. WHITE: Judge Rosenman called up about a tax idea.

H.M.JR: Oh, yes, he asked whom he should give it to.

DR. WHITE: I've already asked Roy.

H.M.JR: Something about new machinery.

MR. BLOUGH: It is the extension, I gather, of amortization to the post-war period, five-year amortization. We have a memorandum on it and it is being looked up and may require some modification for this purpose.

MR. O'CONNELL: Byrnes made the suggestion in a speech, didn't he?

MR. BLOUGH: That's not quite the same thing.

H.M.JR: While you are on Rosenman, he had to see me and try to give me the works, to be willing to say to a company if they would excuse their men for two hours on election day on company pay that that would be deductible.

MR. PEHLE: Why shouldn't it be?

H.M.JR: As expenses.

MR. BLOUGH: Deductible for the corporation.

MR. D. W. BELL: It is leave with pay--vacation.

- 15 -

MR. GASTON: You have seen that letter of Henry Kaiser's? There doesn't seem to be anything happening on that.

H.M.JR: Now, wait a minute. They want all the Government procurement agencies to get out a ruling which will go to the contractors and sub-contractors of the Government, telling them to let their men have two hours off on election day with pay and they can charge it up to the Government.

MR. PEHLE: Oh! That is a different thing.

MR. BLOUGH: We were thinking of the tax deduction. It is deductible for tax purposes, and this is a question of whether it is deductible for cost to the Government.

MR. SULLIVAN: I think that would bounce back.

MR. GASTON: That isn't just the way Kaiser stated it. He wanted simply that the Procurement agencies arrange with the contractors, coerce the contractors, or ask them, or force them to let all their people have time for registration and voting.

H.M.JR: Well, I told them I could just see the headlines clear across the country, "Government Buys Votes with Taxpayers' Money."

But now wait a minute. Maybe I have an idea here. Ben Cohen, who happened to be present, said supposing that Mr. Kaiser wrote in because Kaiser doesn't want to excuse his men because he says that it will cost him 250 thousand dollars. But supposing Kaiser wrote in and said, "I propose to give my men two hours off with pay. Is that deductible from my corporation taxes and expense?"

MR. SULLIVAN: Sure. You can get an answer that it is. Have him write in.

H.M.JR: Can you people see any objection to that?

MR. SULLIVAN: No.

- 16 -

MR. BLOUGH: It has been done right along.

MR. GASTON: Of course, it is a matter of degree.

DR. WHITE: It borders on something else.

MR. SULLIVAN: The point is, we could give that reply to Kaiser. Any publicity that comes out of it he would have to give, and not we.

MR. BLOUGH: It is deductible as an expense from income, not as tax. It would be treated just as if the man had worked the two hours.

MR. SULLIVAN: The answer would have to be that it is treated just like any other leave with pay that is given during the year.

MR. GASTON: I think the smart thing to do on this thing is to get some agreement with the Republicans.

H.M.JR: They are not worrying; the smaller the vote, the better.

Why don't a couple of you talk this over? I think there will still be time Monday, won't there?

MR. SULLIVAN: Sure.

H.M.JR: Why don't you and Joe talk the thing over, keeping very much in mind the public relations angle.

MR. GASTON: I think the Republicans could be forced into it, probably.

H.M.JR: You might have a talk with Ben about it, because he is very much interested.

MR. SULLIVAN: Bob is going to be here tomorrow, too-- Bob Hannegan.

H.M.JR: Well, I wouldn't take his advice on this matter.

- 17 -

MR. SULLIVAN: I don't know. He has learned a lot.

H.M.JR: How does he show signs of it?

MR. SULLIVAN: I'll tell you sometime.

H.M.JR: Well, anyway, I'd rather keep it between you two fellows and Ben Cohen for the time being.

MR. SULLIVAN: All right.

H.M.JR: And Rosenman.

All right, Mr. White?

DR. WHITE: I was through.

H.M.JR: Mr. Daniel Bell?

MR. D. W. BELL: We have had a number of cases of racketeering in savings bonds over the country, and we are prosecuting a few of them. We have a couple up around Philadelphia, one in Philadelphia and one just across the line in New Jersey.

The U. S. Attorney in New Jersey is going after the case that he has charge of, but the worst case of the bunch is in Philadelphia, and the U. S. Attorney won't do anything about it. Should we write a rather strong letter to the Attorney General?

H.M.JR: Yes, sir.

MR. D. W. BELL: Secret Service even thinks they have got this fellow on forgery. He is paying twelve, thirteen, fourteen dollars for an \$18.75 savings bond. We think we have the goods on him. The U. S. Attorney is just laying down on the job.

We were asked in August to prepare designs--I'm telling you this because I think you may get some reaction--for a Fiftieth Anniversary motion picture stamp, postage stamp. And those designs were prepared and they lay in

- 18 -

the Post Office, I think, for the better part of the month of September, and they were given to us the other day and now we have to get them out by the 31st of the month.

H.M.JR: Have we been ordered to do it?

MR. D. W. BELL: Practically. We have been told it was a "must" job by the Post Office, and we assume it probably came from the White House. It has to be out before election.

Now, only one engraver can work on stamp design. It means this fellow has got to work most all month, about twelve hours a day. And we don't know whether he can do it or not. It may be physically impossible. If he gets sick, he can't do it. So you may hear something about it before the month is over. We are going to try to meet the deadline, but it may be impossible.

They went off on vacation down there and left them lying on somebody's desk for three weeks.

H.M.JR: How about a stamp celebrating the tenth anniversary of baby bonds?

MR. D. W. BELL: Well, that is as good an occasion as the fiftieth of the motion-picture industry--better, I think.

DR. WHITE: One of Kung's suggestions for those gold coins was to have his face on one side and your face on the other; I don't remember which was on the top side! But he made a serious recommendation.

H.M.JR: I think that remark is extremely facetious! He told me that. I thought it was Chiang Kai-shek and myself.

DR. WHITE: No, it was Kung and yourself. Chiang Kai-shek and Roosevelt were for the larger coins. You were on the most popular coin--the five-dollar size.

- 19 -

H.M.JR: How do I know that Kung will be around? I told him as far as I was concerned, the answer was no.

MR. D. W. BELL: That is all I have.

MR. C. S. BELL: I'd like to fix up a report on this Procurement thing by Monday. There are a number of angles that will take quite a long time.

H.M.JR: Well, we are leaving shortly. I have my schedule outside. I will be back here Monday. The meeting in Atlantic City was very good. There was a terrific amount of enthusiasm. You can't tell the election has anything to do with the thing.

Okay.

lmw - October 11, 1944 - 10:10 AM EWT

159

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OOPR NO 498 OK
NO 498 OKCUSTOMS AGENCY SERVICE NEW ORLEANS MR EMERICK PRESENT 6

THIS IS SECRET SERVICE WASH DC PLEASE GIVE THE FOLLOWING MESSAGE TO
OUR MR SORRELS IN NO

TO SA SORRELS

"PLEASE DELIVER THE FOLLOWING MESSAGE IMMEDIATELY TO MR THEODORE R
GAMBLE, ROOSEVELT HOTEL, NEW ORLEANS.

"I HAVE DECIDED THAT I AM GOING TO LEAVE NEW ORLEANS AFTER I AM THROUGH
SPEAKING IN ORDER TO BREAK THE TRIP TO LOS ANGELES EITHER ~~IN~~
XX AT ALBUQUERQUE OR AT EL PASO. THEREFORE, WILL NOT BE ABLE TO
HAVE DINNER WITH THE GOVERNOR, BUT I WOULD BE GLAD TO SEE HIM ANY
TIME AT HIS CONVENIENCE THURSDAY MORNING. HENRY MORGENTHAU, JR."

MMH PLS

AFTER THEREFORE IT SHOULD READ THEREFORE, I WILL NOT BE ABLE TO

WILSON GA
OK WILL DELIVER END OR GA
THANK YOU WILSON END
V

October 11, 1944

MESSAGE TO SECRET SERVICE AT NEW ORLEANS

PLEASE DELIVER THE FOLLOWING MESSAGE IMMEDIATELY TO
MR. THEODORE R. GAMBLE, ROOSEVELT HOTEL, NEW ORLEANS:

"I have decided that I am going to leave New Orleans after I am through speaking in order to break the trip to Los Angeles either at Albuquerque or at El Paso. Therefore, I will not be able to have dinner with the Governor, but I would be glad to see him any time at his convenience Thursday morning. Henry Morgenthau, Jr."

10/11/44

Ted Gamble

Secretary Morgenthau

I spoke to the President concerning his participating in the opening of the Sixth War Loan on the 20th. The President said he would be very glad to do so. He doesn't know where he will be at that time, but he will be glad to take part.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Oct. 11, 1944

TO Secretary Morgenthau

FROM Ted R. Gamble

The attached letter to Mr. Harry Brandt, Chairman War Activities Committee of the Motion Picture Industry has been prepared at the request of that Committee. It is their desire to use it in a promotion book they are preparing for use during the Sixth War Loan Campaign.

Attachment

OCT 11 1944

Dear Mr. Brandt:

I am gratified to learn that we may again count on the full support of the Motion Picture Exhibitors during the coming Sixth War Loan Campaign.

The record of accomplishment which this group has built up in support of past drives is impressive indeed and has contributed greatly to the overall record of which we are so proud.

The development of War Bond Premieres has added substantially to the value of their assistance as has the willingness of so many of the individual theatres to act as issuing agents for War Bonds.

The task of raising the additional fourteen billion dollars required during the Sixth War Loan Drive will by no means be an easy one. However, with the knowledge of the loyal support of groups such as the Motion Picture Exhibitors we face the task with full confidence.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Mr. Harry Brandt, Chairman
War Activities Committee
Motion Picture Industry
1501 Broadway
New York, 18, New York

HM:mc

DEMOCRATIC NATIONAL COMMITTEE

HOTEL BILTMORE
NEW YORK 17, N. Y.EDWIN W. PAULEY
TREASURER

October 11, 1944

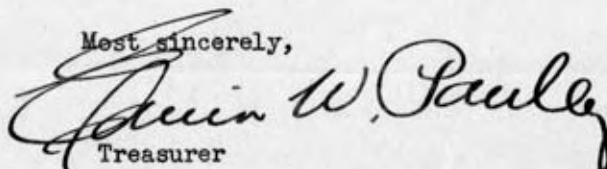
Hon. Henry Morgenthau, Jr.
2434 Belmont Road
Washington, D. C.

Dear Mr. Secretary:

I have just been advised that your friend, Mr. B. M. Edwards of Columbia, South Carolina, is assisting in the finance drive in that state. I know that is the result of your contacts with Mr. Edwards, and I sincerely appreciate your cooperation in this connection.

With kindest personal regards, believe me
to be

Most sincerely,



Edwin W. Pauley
Treasurer

ewp/db

UNITED NATIONS
RELIEF AND REHABILITATION ADMINISTRATION

1344 CONNECTICUT AVENUE
WASHINGTON 25, D. C.

HERBERT H. LEHMAN
DIRECTOR GENERAL

11 October 1944

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

Dear Henry:

I am in receipt of your letter of 6 October.
I appreciate very much your sending me a copy
of the confidential memorandum of which we talked
when I saw you last week.

Yours,

Herbert

LIBRARY OF CONGRESS
WASHINGTON

OFFICE OF THE LIBRARIAN

October 11, 1944

Dear Mr. Morgenthau:

I enclose a photostat of a letter from Charles M. Storey, Executor under the will of Bertha L. Elston. You will note that Mr. Storey is prepared to send us a check covering payment in full of the specific bequest of \$6,000, and that as soon as certain minor matters in connection with the estate are cleared up, he will send us a check in the amount of approximately \$6,000 representing a residuary bequest to the Library under the same will.

I recommend acceptance of the bequests for the purposes and under the conditions named by the testatrix.

Faithfully yours,

Archibald MacLeish
Archibald MacLeish
The Librarian of Congress

I vote ^(in favor of)~~against~~ acceptance of the bequest.

The Honorable
Henry Morgenthau, Jr. *Mu J*
Chairman, Library of Congress Trust Fund Board
Secretary of the Treasury
Washington 25, D. C.

Enclosure

LIBRARY OF CONGRESS
RECEIVED
SEP 9 1944
SECRETARY'S OFFICE

PEABODY, BROWN, ROWLEY & STOREY

HOWARD W. BROWN
CHARLES F. ROWLEY
CHARLES M. STOREY
EDWARD S. FISCHER
DAVID R. FOKRO
GERALD E. FOSSBROKE

201 DEVONSHIRE STREET

BOSTON
10

W. RODMAN PEABODY
1900 - 1941

TELEPHONE
HUBBARD 5662

ACCOUNTS OFFICE
MUSIC DEPARTMENT

September 7, 1944

Archibald MacLeish, Esquire
Librarian of Congress
Washington, D. C.

Dear Sir:

I am the Executor under the will of Bertha L. Elson, the widow of Louis C. Elson of Boston. Mrs. Elson died on September 2, 1943. Mr. Louis C. Elson was a writer, musician, lecturer, and authority on musical subjects. Mrs. Elson died childless, and she wished to preserve the memory of her husband as well as can reasonably be done in these days. She therefore in her will bequeathed the sum of \$6,000 to the Library of Congress under the following Article in her will:

"THIRD: I give and bequeath the sum of Six Thousand Dollars (\$6,000) to the Library of Congress in Washington, D. C., for the use of the Music Department thereof, to be held and known as the Louis C. Elson Memorial Fund and the income therefrom to be used to provide annually one or more free lectures open to the public upon subjects associated with music or its literature. Such lectures shall be known as the Louis C. Elson Memorial Fund Lectures. It is my wish that in connection with each of these lectures some allusion may be made to the writings, teachings and influence of my late husband, Louis C. Elson."

I am now prepared to pay this legacy. Would you be so kind as to advise me whether the Library of Congress will accept it, and if so, (and I assume it will be so) the fashion in which you wish the money paid and whether or not there will be any legal question as to whether the money can be devoted to

SEP 9 1944
SEP 10 1944
SEP 11 1944
SEP 12 1944

PEABODY, BROWN, ROWLEY & STOREY

Archibald MacLeish, Esquire -2-

Sept. 7, 1944

any other purpose (apart from the cy pres doctrine).

There is also a residuary bequest to the Library which I shall distribute as soon as some minor matters in connection with the estate are wound up. I estimate it will be in the neighborhood of \$6,000. The terms of this residuary bequest are as follows:

"WITTH: All the rest, residue and remainder of my property, I give, devise, and bequeath to the following persons and institutions in the following proportions:-

* * * * *

"(b) To the Library of Congress in Washington, D. C., twelve thirty-fifths (12/35), for the following purpose: either to invest (with power to reinvest) the same and expend the income arising therefrom or to expend the same, as the Library of Congress Trust Fund Board and/or the Librarian of Congress shall determine, in such manner as said Librarian may deem best calculated to foster the interest of the public in music or in the literature of music."

Yours very truly,

Charles L. Elson

Executor u/w of Bertha L. Elson

CMS:MH

FOR RELEASE
THURSDAY
OCTOBER 12, 1944

ADDRESS BY
W. RANDOLPH BURGESS
BEFORE THE
NATIONAL FOREIGN TRADE COUNCIL
AT NEW YORK, N. Y.
OCTOBER 11, 1944

This occasion gives me an opportunity to say a few words in response to inquiries with respect to the Bretton Woods conference and its larger implications. The subject is a highly technical one, and business men with reason have looked to the bankers for an expression of opinion. At least three banking groups have been studying the Bretton Woods proposals in their earlier forms and especially since they took definite shape in late July. The committee of the American Bankers Association, a joint committee of the National Foreign Trade Council and the Bankers Association for foreign trade, and a committee of the New York State Bankers Association - all of these are devoting a substantial amount of time and energy to the question and are discussing it with government officials and others who may have special information. All three committees have as yet refrained from taking of a position until they have devoted more time to these important questions and have made sure that any position they might recommend would be supported by a substantial body of informed opinion in the organizations they represent.

From my contact with all three of these committees I can assure you that they are making every effort to arrive at a constructive conclusion. If we are to avoid another world war we must establish new instruments of international understanding and cooperative action, not only in the political and military sphere but in the economic area as well, for we cannot ignore the political effects of economic causes. A smoothly operating world financial mechanism is one of the necessary bases for world trade.

The United States Treasury has performed an important service in compelling us all to think vigorously about this problem, and in bringing to bear on it not only opinion in this country but from other countries as well. Our problem now

is to examine these proposals sympathetically and make sure that we reach a solution which is sound and adequate and lasting. We must not repeat the experiences after the last war when we flooded the rest of the world with our money for a period of years and then suddenly stopped. There is no lasting virtue in making bad loans. The plans we adopt in this field must also fit logically as part of a larger economic and political program, including provisions for security and for world trade. Any plan we adopt must be consistent with the firm preservation of the integrity of the American dollar. It must also envisage a program for Great Britain and the pound sterling.

The time which is being taken to study these matters is not lost time for it gives an opportunity for the emergence of other aspects of a well-rounded international program without which Bretton Woods would be ineffective. In particular it is cheering to see progress made in provisions for political security which is basic to any economic program. It is my belief also that we have made substantial progress since the Bretton Woods conference in the understanding of these monetary problems. I should like to commend especially to your attention the searching analysis of the problem by Dr. John Williams in the latest issue of Foreign Affairs.

While I cannot report to you to-night any final conclusion on this subject, I should like to comment on one intensely practical question which has been brought vividly before us by the Bretton Woods conference and the meeting at Dumbarton Oaks, and will be with us increasingly in coming months, and that is a question of method: how can this country prepare itself for more effective international collaboration? The record of the United States in foreign relations has been unsatisfactory. After the 1st World War the Senate rejected the peace treaty negotiated by President Wilson. We declined to participate in the League of Nations, the World Court, and the Bank for International Settlements. In 1933, the action of our government broke up the London Economic Conference.

No wonder Marshall Stalin asked Eric Johnston recently whether our Senate would fail to approve treaties after the war. No wonder totalitarian leaders believe that democracies do not function effectively. If we are to secure and maintain any genuine position of world leadership, we must not only want effective mechanisms for insuring peace; we must find the means for getting our own people to work them out and then stick by them.

What, then, is the answer? Is it in doing away with the two-thirds majority required for Senatorial approval of treaties, as so often suggested? That proposal should be soberly considered but I doubt whether it goes to the heart of the difficulty.

The real problem seems to me the relation in our democracy between government action, expert knowledge, and public opinion. Old World or totalitarian methods do not fit our democracy. The executive may propose, but he cannot conclude arrangements with other countries unless these arrangements interpret truly the will of the people. Our representatives go into each negotiation with a body of silent partners, the American public. This is often embarrassing. But if those silent partners are ignored, as has happened all too frequently, when the final decisions must be made they often refuse to sign on the dotted line, and the results are even more embarrassing.

In the field of international relations we can secure the respect of foreign nations only on one condition. That condition is that we will not recommend a program for the consideration of other nations unless we already have reasonable assurance that it will be acceptable to our own people. This is difficult, but essential. To be as practical as possible, let me suggest that the solution of the problem lies in three areas: a higher quality of government service; a better informed public; and more attention to bridging the gap between government and public when treaties and other foreign arrangements are being considered.

Not long ago in a conversation with some foreigners someone recalled the quip of Will Rogers that "The United States never lost a war but never won a conference." To which one of the foreigners replied, "Well, if you insist on sending out amateurs to deal with professionals, what else can you expect." In other words, we need more professionals and fewer amateurs in government. If government is going to fill a larger role in our lives than in the past, it is essential that the quality of government service be improved. We need to realize that being elected to public office does not automatically transform a politician into a statesman. We need a better civil service, drawing into its upper ranks more competent career men who will bring to the government continuing service of the same high standard of efficiency and know-how that is demanded in private industry; we have some outstanding examples of such men in government service to-day, but there are not enough of them and most of them do not stay long enough. This means, of course, that we must find ways of making such service more attractive. We need more men of the seasoned ability which alone can produce simple, understandable, and acceptable government programs.

A second thing we have to do is develop a public opinion that will support active cooperative policies. There is no quick and easy way to do this. We need to reestablish public faith in the integrity of our government, so that suggested programs will be taken seriously and studied carefully. We need to train our voting population to read, and think, and discuss; and to accept personal responsibility for government action. This is primarily a job for our public school system and our vast network of higher education. Associations such as this one constitute another valuable mechanism for educating our people in the responsibilities of citizenship.

The third point, of bridging the gap between government and public, is one about which we can do something effective immediately.

The first very simple rule is advance consultation. A proposed international agreement ought to be negotiated with the American people before it is negotiated with foreign statesmen. No business man would think of committing his company at an important business conference without prior understanding with his associates and

directors. Yet our representatives have often entered international negotiations without consulting either their board of directors, which is Congress, or their shareholders the American people.

Now, of course, you can't literally take every international proposal to the people. What you can and should do is to call into consultation at an early stage important members of Congress, technical experts, and informed citizens, and also keep the public generally aware of the problems.

Let me illustrate from national practice a method of proved value. For many years the Treasury Department has faced a highly technical and difficult problem in arranging its program of government financing. It is a delicate problem as well because the plans and pricing of future issues affect directly the current market on government securities. So the department has to be careful about letting people in on its secrets.

However, a technique has been worked out of calling into consultation in the formative period of any program a substantial number of representatives of banking, insurance, and other investors, as well as representatives of the market. The Federal Reserve mechanism has been particularly useful for this purpose. As a result of these prior consultations the financing program has gone so smoothly that we almost forget the difficulties of the problem. The key to the matter has been advance consultation with a group of technically skilled, informed, and influential people, as a consequence of which the programs have been sensible and public opinion has been prepared for their reception.

Admittedly, negotiations with foreigners offer additional difficulty, but this makes it even more important that difficulties within our own ranks be faced before they become matters of international discussion. Here I believe the same general techniques can be applied as in the field of domestic finance.

As the result of the war we have learned a good deal about the joint operations of this trio of forces, theory, practice, and politics. Business men have been drawn into the operations of government more perhaps than ever before. Certainly

the academic fraternity is better represented than heretofore. As we look towards the future the problem is whether business will take a walk and leave the politician and theoretician to run the show. This would be a major calamity. We need to draw on the theory and learning of the scholar. We need the practical experience of the business man. We need the art of government which, in a democracy, is the art of getting people to act together. And we particularly need - and here is where we shall have to work hardest - we need an understanding by each of these three of the problems of the other two. Our politicians need to understand business, not merely orate about it. Our professors of economics need a more practical understanding of politics, and a few months or years of personal participation in helping run a business. Our businessmen need all the grasp they can acquire of the mental processes of politicians and professors. The problem is to get the proper balance. Business, for example, tends to be impatient of all talk of national planning. Government usually has too much faith in it. College professors go off half cocked about it. The need is to find a sensible, practicable middle course.

To do this places a special direct responsibility on business leadership, for if business judgment is to be brought to bear on governmental problems we must make government out business. That means something more than having someone look after our own specific business interests. It means that organized business must plan to devote some of the time of its best people to the national good.

We would do well to heed the words of Pericles in his speech on the Peloponnesian War to the citizens of Athens when he said:

"....Our citizens attend both to public and private duties, and do not allow absorption in their own various affairs to interfere with their knowledge of the city's. We differ from other states in regarding the man who holds aloof from public life not as 'quiet' but as useless;...."

WAR SHIPPING ADMINISTRATION
WASHINGTON

175
photostat
to D. White
10/12/44

ADMINISTRATOR

October 11, 1944

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

My dear Mr. Secretary:

In collaboration with the Foreign Economic Administration, we are assembling data on which to prepare the projections of Lend-Lease shipping aid to Great Britain requested in your letter of October 6th.

In certain categories of shipping services, it is possible to determine with fairly close tolerances what part of the British needs during "Phase 2" will be covered by the War Shipping Administration, irrespective of the incidence of financial costs. In other categories, however, the scope of eligibility prescribed by the Foreign Economic Administration will determine very largely the extent of British shipping and ship needs which will be procured by the War Shipping Administration and the Maritime Commission.

Realizing that you require prompt advice, we shall endeavor to place the data in your hands not later than October 21st.

Sincerely yours,



E. S. Land
Administrator

1944 OCT 15 PM 1 00

RECEIVED DEPARTMENT OF THE TREASURY
OFFICE

OCT 11 1944

Dear Lord Keynes:

Thank you very much for your letter of October 6, 1944 enclosing the War Cabinet Subcommittee report on the rehabilitation of the South-East coast towns. I shall give the report careful attention as one specimen of the domestic problems your country faces in the post-war period. I am sure some of my colleagues will likewise be glad to examine the material.

The document and its contents will be held in strict confidence and will be returned to you in due course.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Right Honorable Lord Keynes,
United Kingdom Treasury Delegation,
Box 680,
Benjamin Franklin Station,
Washington, D.C.

UNITED KINGDOM TREASURY DELEGATION

BOX 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

REFERENCE

TELEPHONE EXECUTIVE 2020

6th October 1944.

Dear Mr. Secretary,

It is sometimes the case that material for our own internal purposes gives a more vivid insight into our difficulties than material especially prepared for use here. I venture, therefore, to enclose a War Cabinet Paper which has just reached me, in case you may care to glance at it. It deals with the state of our south-east coast towns, which comprise altogether a population of several millions. As mentioned in the Paper, the present position can only be described as the abomination of desolation. If you can find time to glance at this Paper you will see in a few minutes a specimen of the domestic problems we have, apart from our external tasks.

I should be grateful if you would let me have this back in due course, as strictly speaking I ought not to let it out of my hands, but, of course, please feel free to show it to any of your colleagues who might be interested.

Sincerely yours,

Keynes

The Hon. Henry Morgenthau, Jr.

Printed for the War Cabinet, September 1944.

SECRET.

Copy No.

R. (44) 161.

20th September, 1944.

WAR CABINET.

Reconstruction Committee.

REPORT OF SUB-COMMITTEE ON THE REHABILITATION OF THE SOUTH-EAST COAST TOWNS.

Introduction.

1. We were appointed by the Reconstruction Committee on the 27th March, 1944 (R (44) 27th Meeting, Minute 1), with the following terms of reference:—

"To examine what measures should be taken for the rehabilitation of the South-East coast towns having regard particularly to the special conditions which have been created there by the action of the Government in arranging for a partial evacuation of the population and instituting a moratorium and by other anti-invasion preparations."

2. The towns covered by our enquiry extend from Great Yarmouth round to Littlehampton (see Appendix A), that is to say a stretch of coast whose inhabitants have been deprived of their main means of livelihood by reason of measures rendered necessary because of their proximity to enemy territory. There are certain moratorium and evacuation areas in the South-East, the chief of which are Ipswich, Colchester, Ashford and Canterbury, which we have excluded from our enquiry as not being coastal towns. At the same time we have included the Brighton group (*i.e.*, Brighton to Littlehampton) because, although no moratorium was applied to these towns, evacuation was encouraged.

3. We feel that there is a special case to be made out for assisting these towns and this case can be simply stated.

4. They are, in the main, holiday resorts and, with certain exceptions, have no other industries. After France fell the Government encouraged all non-essential personnel in these towns to leave: in the towns between Yarmouth and Newhaven every form of pressure, short of compulsion, was applied (see Appendix B). As one of the inducements to secure this result between Yarmouth and Newhaven the Government granted to all those who left a moratorium in respect of rates, rent, mortgage debts, charges for water, gas, electricity and telephone services, and hire purchase payments.

5. On the strength of the Government request and relying on the moratorium a large proportion of the population left. The following figures will serve as an illustration:—

<i>Town.</i>	<i>Pre-war Population.</i>	<i>Population in Autumn 1940.</i>
Hastings	72,000	22,000
Deal	23,500	7,500
Southend-on-Sea	140,000	50,000

6. Moreover, those who went left in such a hurry, and facilities for storing or removing furniture were so overstrained, that in most cases their furniture had to remain in their houses, and they could take no precautions except putting up the shutters and locking the doors.

7. In this condition many of the houses have remained for over four years. There has been considerable air raid damage, much pilfering, and some of the towns now present a spectacle of decay and economic blight. Owners of house property have been unable to recover any rent, or to obtain possession of their

* The Committee consisted of officers of the Ministries of Health, Home Security and Works, Treasury and Office of the Minister of Reconstruction, under the chairmanship of the Minister without Portfolio.

premises—even although these premises are not being occupied—and in some cases have been obliged to apply for public relief. Meanwhile their property has been steadily deteriorating through non-occupation.

8. Tenants, all too frequently, seem to have considered that a moratorium was equivalent to a cancellation of their obligations and have taken either no steps or quite inadequate steps to keep down their liabilities. Those who stayed behind are sometimes even worse off through trying to meet their liabilities in most difficult circumstances. Rates remain unpaid to a large extent, though most of the local authorities, with the approval of the Ministry of Health, have been trying to effect compositions, and have established committees who have—as a general rule—accepted payment of 40 per cent. of the amount owing for rates in full settlement of the obligation where hardship can be established.

9. Very substantial sums are due in respect of rent and mortgage interest, and these accumulated sums will become payable if and when the inhabitants return. It is feared by the authorities of several towns that a substantial proportion of the old inhabitants, fearing a millstone of liabilities round their necks, will not have the courage to return; but that a number of strangers—who have not borne the burden and heat of the day—will take their place in the endeavour to exploit the situation.

10. Though a considerable number of the population drifted back subsequently, these towns have not regained anything like their normal population and the imposition of the visitors' ban (only recently removed) has impeded their economic recovery.

11. The difficulties confronting these towns by no means end here. The local authorities are themselves in financial difficulties. They have, in common with other authorities, received financial aid from the Exchequer; but there is a contingent liability to repay 25 per cent. of the amount so granted, and the authorities, before qualifying for aid, are required to utilise available balances. Thus they find themselves in straitened financial circumstances, and they find, moreover, that their amenities have been destroyed.

12. The sea fronts, bowling greens, tennis courts and gardens which formed one of the chief attractions for visitors present an appearance which can only be described as the abomination of desolation. Miles of barbed-wire entanglements and various anti-tank devices stand on what were once attractive walks or sports grounds for visitors. Steps down to the beaches have been demolished. It has been impossible for years to give any attention to the groynes and sea defence works. Piers have been either partially or wholly demolished. The whole impression is one of gloom and decay.

13. Apart from the imposition of the moratorium the various problems of the South-East coast towns are to be found elsewhere in the country in a greater or less degree, and we have had to bear in mind the possibility of repercussions elsewhere (especially in other coastal towns) of any recommendations we might make in favour of the South-East coast towns. Thus, for example, in the Isle of Wight, though there has been no moratorium nor has any evacuation of the population been officially encouraged, the imposition of a visitors' ban, which was unbroken between 1940 and July of this year, has brought severe hardship to the island, which is almost wholly dependent upon its hotel and catering industry.

14. However, in few other parts of the country do war-time conditions combine together to form such a melancholy state of affairs as that which exists in the South-East coast towns to-day. The extent of the distress varies greatly from place to place. The essence of the problem is, however, that neither the inhabitants (including those who have temporarily left) nor the local authorities are in a good position financially to undertake the substantial work which is required before the towns can properly assume their peace-time functions as holiday resorts.

15. One of the main factors in assisting the South-East coast towns to recover their prosperity will be the removal of the restrictions under which they have been labouring. The visitors' ban has already been lifted and no doubt the return of the evacuated population, the opening of the beaches and the de-requisitioning of property will be brought about as soon as is practicable. Recent events have encouraged us to assume that after this coming winter there will be a widespread demand for seaside holidays, and if these coastal towns can

attract holiday-makers they stand to regain a substantial measure of prosperity in the not-too-distant future. The problem, therefore, is essentially a short-term, one. If it is tackled with energy and vigour it can be put right in a comparatively short space of time given the necessary labour; but the work of restoration must cost a very substantial sum of money.

16. We have discussed the various problems with representatives of the Government departments concerned. We did not seek evidence from local authorities or other outside bodies. At the same time our enquiry attracted a certain amount of publicity and as a result we received memoranda from some local authorities and from bodies such as the Coastal Resorts Distress Committee, the Joint Committee of Chambers of Trade and Commerce in the Coastal Defence and Evacuated Areas and the Association of Health and Pleasure Resorts. In addition, our Chairman has visited a large number of the towns concerned and met representatives of the local authorities and of other local bodies.

Physical Reconstruction.

17. The physical damage which has been done to the South-East coast towns and must at some time or other be repaired falls under the following heads:—

- (a) Damage to seafronts due primarily to preparations against invasion. Thus, piers and steps down to the beach have been wholly or partially demolished; kiosks, bathing huts, &c., have been destroyed; defence works, such as anti-tank obstacles, pillboxes and barbed-wire entanglements, have been erected to the detriment of bowling-greens and pleasure gardens, and mines have been sown on the beaches. Further damage has been done to property, such as sea-defence works, by the impossibility of access for the purposes of maintenance and repair.
- (b) Dilapidations and damage arising from the requisitioning of properties, and pilfering which appears to have been prevalent in some parts of these areas.
- (c) Damage to local authority and private property due to air attack and shelling.

18. The problem of physical reconstruction is not, of course, peculiar to the South-East coast towns. We would, however, stress the fact that, since people elsewhere are dependent on these towns for their holidays and since the towns themselves are dependent for their existence on their amenities as holiday resorts, the priorities for rebuilding may well be different from those elsewhere.

19. Most of the local authorities regard the restoration of the seafront as a matter of the highest priority in the rehabilitation of their town as a holiday resort. But complete restoration cannot be undertaken immediately in view of the competing claims on the available building resources. Moreover, the public have shown in recent weeks that they are prepared to spend their holidays at the seaside in spite of anti-tank obstacles and barbed wire entanglements.

20. The War Office indicated to us that they are prepared to employ Service personnel to clear mine-fields and undertake other work of a dangerous character, but that they are not prepared to use Service personnel to carry out other work of restoration, such as the removal of defence works and barbed wire entanglements. We have accordingly proceeded on the assumption that the restoration of seafronts after the removal of mines and other dangerous obstacles will have to be undertaken by the local authorities, acting no doubt as agents of the Service departments, and we have considered the procedure by which the work may be undertaken as speedily as possible.

21. In our view the work should be carried out as follows:—

- (a) The Service departments should, as soon as possible, draw up categories of temporary defence works, showing the stages, from a military point of view, at which these can be removed. Wherever practicable, their removal should be scheduled to be permissible before the end of the German war. As a matter of practical convenience the Service departments may prefer to indicate the classes of works they wish to retain for the time being, rather than a lengthy list of works they no longer require.

- (b) Dangerous works will then be removed by Service personnel.
- (c) The next step is to classify the remaining defence works into those in which the Service department concerned will pay the reasonable cost of reinstatement on the ground that reinstatement is required in the public interest, and the remainder of the works in respect of which a payment will be due for depreciation in value. In all this we are assuming that effect is given to an amendment of the law described below (paragraph 22). Interdepartmental discussions have been going on for some time under the aegis of the Ministry of Town and Country Planning regarding the disposal of temporary defence works and, in particular, the responsibility for determining in what cases reinstatement is necessary in the public interest. It is essential that an early decision should be reached on this point. We understand that an agreed report is being prepared by the departments concerned for submission to Ministers.
- (d) Local authorities, before they undertake work on an agency basis or on their own account, will wish to have an early indication of the amounts they are likely to receive from Government departments by way of compensation. The most convenient course would probably be for the Ministry of Health to obtain from the Service departments or any other departments concerned, a first approximation of the amount which each of these departments is prepared to pay to a local authority in respect of reinstatement or depreciation of value. No doubt, somewhat similar arrangements could be made with the War Damage Commission in respect of war damage to the local authority property affected. The Ministry of Health would then pass this information to the local authorities concerned. We recommend some procedure of this nature, the details of which would have to be worked out interdepartmentally, on the ground that the Ministry of Health has had the greatest experience in dealing with local authorities, and we believe that such a step would not only do much to cut out unnecessary delay in the work of physical reconstruction but will also be welcomed by the local authorities, who would naturally prefer to deal with one department. Clearly, unless the Ministry of Health are to bear the odium for delays for which they are not responsible, there should be an explicit instruction to the departments concerned to supply the information to the Ministry of Health at the earliest possible date.
- (e) The manner in which local authorities will be able to carry out the various works thus authorised will depend on the extent of the resources available to them, and obviously these authorities, with the assistance of the departments concerned, must draw up a programme by which the work can be carried out in stages. Presumably at the outset local authorities will have to make do with such immobile labour as is available to them locally. There must be many jobs such as redecoration of property and the restoration of gardens and bowling greens which when completed would do much to brighten up the look of the coastal towns and for which local labour would be suitable. We urge, therefore, that the local authorities should be given facilities to purchase adequate supplies of the requisite materials and allowed to do what preliminary work of reinstatement they can. Major works of reconstruction will involve the use of skilled labour and special plant, and we recommend that, in deciding the priority for this work, regard should be had to the wide interests which will be served by the restoration of the former amenities of the coastal towns.

22. The payment of compensation under section 3 of the Compensation (Defence) Act, 1939, for damage due to work done under Defence Regulation 50 cannot but be regarded by local authorities in coastal towns as inadequate, in that it does not take into account "any diminution or depreciation in value ascribable only to loss of pleasure or amenity" (sub-section 7 of section 3). We understand that the Treasury are reviewing the provisions of the Act with a view to enabling the reasonable cost of reinstatement to be met in cases where such reinstatement is considered to be in the public interest. We consider that an amendment of the law in this sense is required and recommend that effect should be given to it at an early opportunity.

Economic Rehabilitation.

A.—Local Authority Finance.

23. Since 1940 a considerable number of local authorities in various parts of the country would have been unable to meet their outgoings without a substantial increase in the rates and have been in receipt of Exchequer assistance. This assistance was only granted after all surpluses had been exhausted and assistance was given on the basis that 75 per cent. represented an outright grant and 25 per cent. represented an interest-free loan. The amount of the assistance was negotiated separately in each case, but broadly, assistance was given to meet the deficiency arising from the levy of rates on an agreed poundage (in most cases not exceeding the level in 1940-41).

24. The very varying circumstances of the South-East coast towns are illustrated by the Table set out in Appendix A, which shows the product of a 1d. rate in these towns and the assistance which these towns have received.

25. The Ministry of Health and the Treasury recognise that in many areas it will be necessary to continue financial assistance on the present lines after the end of the German war. We think this can be done without in any way impairing the local authority's freedom to take whatever steps it thinks necessary within its existing powers (*e.g.*, by means of advertising) to re-establish the town as a holiday resort. It is contemplated that fresh arrangements should be made with each authority for a definite payment, probably decreasing annually over a number of years, the period to be determined by the rate at which the authority could be expected to recover financially. This recovery, for instance, might well be rapid in cases where the authority has lost little rateable property through bombing.

26. Local authorities have asked that the 25 per cent. of the Government assistance, which is at present in the form of interest-free loan, should be converted to grant. The Ministry of Health do not see their way to agree to this at this stage, especially in cases where some of the advances have been in respect of revenue-producing services for which repayment ought to be made. It may be that in some cases a proportion of the loan will have to be cancelled, but the general cancellation suggested by the local authorities is not practicable. When the final settlement comes to be made each case will have to be considered in the light of local circumstances.

27. The Ministry of Health have agreed not to interfere with certain non-statutory reserves existing when assistance commenced, but they cannot be expected to allow local authorities to build up such reserves at the expense of the Exchequer. The Ministry do not see their way, however, to agree to a proposal that the local authorities should have their working balances restored.

B.—Private Individuals.

28. Under the Defence (Evacuated Areas) Regulations, 1940, a moratorium was granted to persons who left the so-called "evacuation areas" postponing the payment of various periodical charges in respect of the premises vacated. These areas include all the places involved in our enquiry (see Appendix A) except Brighton and places west of Brighton.

29. The moratorium, which is still in force, has left a most difficult position to be cleared up, and unless it is done speedily the work of rehabilitation in the area will be seriously impeded. Clearly, therefore, the first stage in economic rehabilitation is the adjustment of the moratorium debts.

30. To this end the Government has introduced the Liabilities (War-time Adjustment) Bill, which received its second reading in the House of Lords on the 1st August, 1944. The Bill provides that the Adjustment Officers may endeavour to settle moratorium debts and liabilities by negotiating reasonable terms between landlord and tenant and other creditors and debtors.

31. The Bill affords a simple way of helping those who have suffered in the "evacuation areas" but it is a negative kind of assistance and from the point of view of the small boarding-house keeper or landlady who needs a small amount of working capital with which to buy paint, cutlery, crockery, textiles or furniture it is clearly inadequate.

32. The hotels and larger boarding houses, which play an important part in the economy of the South-East coast towns, have suffered severely through war circumstances but the proportion of the total accommodation which they provide for visitors is not as great as is sometimes thought. Moreover, it is suggested that to some extent they will find no difficulty in getting credit when necessary and they also have the advantage of an assurance from the Ministry of Works that hotel owners whose furniture has been requisitioned will be able to purchase similar types from surplus stocks at depots conveniently situated, at the price paid by the Ministry, less an allowance for depreciation.

33. Furthermore, to a considerable extent, the field of our investigation, in so far as it applies to hotels and boarding houses, is already covered by enquiries which are being made by the Catering Wages Commission set up under the Catering Wages Act, 1943. In July 1943 the Commission were instructed by the Minister of Labour "to enquire into the effect of war conditions on the hotel and catering services available to the public, and to review the measures necessary to meet the requirements of the public, including visitors from overseas in the post-war period." The Commission are examining especially the position of hotels and boarding houses in the towns which we have under review, and it is understood that their report may be expected shortly. This report, however, will not cover the smallest type of apartment house, which is outside the scope of the Commission. Though the line has not yet been drawn, it is understood that the Commission's proposals are not likely to apply to houses with less than four letting bedrooms.

34. We have therefore had particularly in mind the small boarding-house keeper or landlady who will need money, perhaps no more than £40 or £50, for the purpose of purchasing household equipment but who is unaccustomed to dealing with banks and in any case has little or no security to offer.

35. If assistance is to be given in this class of case, it seems to us that individual cases will have to be handled by persons with local knowledge. The assistance given in the last war from the Prince of Wales Fund was distributed by local representative Committees. With this consideration in mind we think that, if financial assistance is to be given to landladies and other small traders in these towns, it would be preferable that any Government loans should be made not direct to individuals but to the local authorities to provide funds from which they could make loans to deserving individuals in the towns in order to help them to start up in business. Such loans, which might be free of interest, would be repayable by the local authority irrespective of the results of their lending, by instalments laid down in advance.

36. It would be necessary for a scheme to be drawn up defining in general terms the persons eligible (*e.g.*, those who before the war resided and carried on business in the area), the purpose for which a loan can be made (*e.g.*, to restart a business in the area) and also such matters as the maximum period and amount of the loans, &c. Applications for loans from persons who are actually or prospectively insolvent should not be considered until they have been through the adjudication procedure.

37. It seems likely that such loans could be authorised under Emergency Powers, and in view of their general responsibility for local authority finance it is thought that this would probably be a matter for the Ministry of Health, who might wish to consult the Associations of Local Authorities concerned.

38. It would, of course, be for the local authority concerned to work out the method of disbursement, though it is suggested that it might be fairly operated by means of *ad hoc* local committees, representative of local interests, and linked up in some way with the local authority committee which deals with rating questions.

39. It would be of no use lending people money if the goods they need are not there for them to buy, and it is thought that such committees might have a useful part to play in the allocation of scanty supplies. There will always be a danger of favouritism in such schemes, but at the same time it is felt that only in this way can any steps be taken to prevent the speculator reaping where he has not sown.

40. We are informed by the Board of Trade that the supplies of crockery and cutlery are likely to be sufficient, but that furniture and textiles will be in very short supply. The Board of Trade do not feel justified at this stage in giving any priority to hotel and boarding house keepers. We are aware of the

32. The hotels and larger boarding houses, which play an important part in the economy of the South-East coast towns, have suffered severely through war circumstances but the proportion of the total accommodation which they provide for visitors is not as great as is sometimes thought. Moreover, it is suggested that to some extent they will find no difficulty in getting credit when necessary and they also have the advantage of an assurance from the Ministry of Works that hotel owners whose furniture has been requisitioned will be able to purchase similar types from surplus stocks at depots conveniently situated, at the price paid by the Ministry, less an allowance for depreciation.

33. Furthermore, to a considerable extent, the field of our investigation, in so far as it applies to hotels and boarding houses, is already covered by enquiries which are being made by the Catering Wages Commission set up under the Catering Wages Act, 1943. In July 1943 the Commission were instructed by the Minister of Labour "to enquire into the effect of war conditions on the hotel and catering services available to the public, and to review the measures necessary to meet the requirements of the public, including visitors from overseas in the post-war period." The Commission are examining especially the position of hotels and boarding houses in the towns which we have under review, and it is understood that their report may be expected shortly. This report, however, will not cover the smallest type of apartment house, which is outside the scope of the Commission. Though the line has not yet been drawn, it is understood that the Commission's proposals are not likely to apply to houses with less than four letting bedrooms.

34. We have therefore had particularly in mind the small boarding-house keeper or landlady who will need money, perhaps no more than £40 or £50, for the purpose of purchasing household equipment but who is unaccustomed to dealing with banks and in any case has little or no security to offer.

35. If assistance is to be given in this class of case, it seems to us that individual cases will have to be handled by persons with local knowledge. The assistance given in the last war from the Prince of Wales Fund was distributed by local representative Committees. With this consideration in mind we think that, if financial assistance is to be given to landladies and other small traders, it would be preferable that any Government loans should be made not direct to individuals but to the local authorities to provide funds from which they could make loans to deserving individuals in the towns in order to help them to start up in business. Such loans, which might be free of interest, would be repayable by the local authority irrespective of the results of their lending, by instalments laid down in advance.

36. It would be necessary for a scheme to be drawn up defining in general terms the persons eligible (e.g., those who before the war resided and carried on business in the area), the purpose for which a loan can be made (e.g., to restart a business in the area) and also such matters as the maximum period and amount of the loan, etc. Applications for loans from persons who are actually or prospectively inactive should not be considered until they have been through the adjustment procedure.

37. It seems likely that such loans could be authorised under Emergency Powers, and in view of their general responsibility for local authority finance it is thought that this would probably be a matter for the Ministry of Health, who might wish to consult the Associations of Local Authorities concerned.

38. It would, of course, be for the local authority concerned to work out the method of disbursement, though it is suggested that it might be fairly operated by means of *ad hoc* local committees, representative of local interests, and linked up in some way with the local authority committee which deals with rating questions.

39. It would be of no use lending people money if the goods they need are not there for them to buy, and it is thought that such committees might have a useful part to play in the allocation of scanty supplies. There will always be a danger of favouritism in such schemes, but at the same time it is felt that only in this way can any steps be taken to prevent the speculator reaping where he has not sown.

40. We are informed by the Board of Trade that the supplies of crockery and cutlery are likely to be sufficient, but that furniture and textiles will be in very short supply. The Board of Trade do not feel justified at this stage in giving any priority to hotel and boarding house keepers. We are aware of the

difficulties, but would urge that the appropriate Government departments should keep the position under continual review, and that hotel and boarding house keepers should be among the first to be added to the existing list of priority classes.

41. In our view there would be no risk on financial grounds in extending the scheme we have outlined to towns outside the South-East coastal area, since it would amount only to giving a temporary power to local authorities to make loans of a short-term nature.

C.—Shopkeepers.

42. Shopkeepers in the evacuation areas in 1940 were advised to cut down their stocks and remove all but essential requirements; consequently their coupon capital available to-day represents stocks below normal. We understand that the Board of Trade and the Ministry of Food are already examining the need for increasing coupon capital in such cases.

43. Retailers who were asked to leave or who left owing to failure of business should be given an opportunity of starting up again. This is particularly important in the case of catering establishments.

D.—Industries.

44. When the threat of invasion appeared to be imminent in 1940, a number of firms engaged on essential contracts for the Supply departments were either persuaded or compelled to move their businesses to safer areas. Where a firm desires to return to their former factory the Board of Trade will, where necessary, give a building priority similar to that which will be given to blitzed firms in any area.

45. Some firms may not wish to leave their present location, but the question of inducements forms part of a wider problem with which it is not for us to deal. It is our duty, however, to draw attention to the case of Dover, whose prosperity depends not so much on its visitors as upon its local industries, most of which have been evacuated.

46. One or two local authorities in the towns under review have asked for facilities for the establishment of light industries in order to secure a more balanced economy in their town. So long as the main occupation is catering for the holiday traffic, work tends to be concentrated in a few summer months though the rate of unemployment in these places in the other months of the year is not so high as might be expected. The Board of Trade will not raise difficulties about any proposals to establish light industries in the South-East coast towns but they do not propose to extend to these towns the inducements to be applied to the establishment of industries in the Development Areas. We do not dissent from the view that the South-East coast towns—particularly if a period of prosperity lies ahead of them—do not require special steps of the kind to be applied in areas such as South Wales.

47. Great Yarmouth and one or two other East Anglian towns depend to a considerable extent on the prosperity of the herring industry. The steps which are now being taken to revive the Herring Board and to use it to secure the post-war rehabilitation of the fishing industry should do all that is practicable to meet the needs of these areas.

Conclusions.

48. It is our view that there is a case for special treatment of the coastal towns between Yarmouth and Littlehampton. The problem of their reinstatement is essentially a short-term one and, if it is tackled energetically now, thousands of workers will be able to enjoy holidays at the sea in reasonable comfort next summer and the towns will quickly regain their economic prosperity.

49. The local authorities concerned will wish to begin their work of physical reconstruction as quickly as possible, doing what they can with such local labour as is available and leaving major works of repair to come later. They will need to be assured beforehand that they are going to receive some financial help from the State and also that they will not be passed from one department to another.

50. Our detailed recommendations may be summarised under the following general heads:—

- (a) The moratorium should be lifted as soon as practicable after the Liabilities (War-time Adjustment) Bill becomes law.
- (b) Measures should be taken to restore as speedily as possible the seafronts and other local authority property which were damaged by defence works and enemy action (paragraphs 21 and 22).
- (c) As regards the war-time scheme of financial assistance from the Exchequer to local authorities, each case must be settled on its merits. In many areas such assistance will have to be continued after the war (paragraphs 23-27).
- (d) The Government should make loans, if so desired by the local authorities, to provide funds from which loans can be made to deserving cases to help them start up in business (paragraphs 34-41).

On behalf of the Sub-Committee,

WILLIAM A. JOWITT.

4, Richmond Terrace, S.W. 1,
20th September, 1944.

APPENDIX A.

Financial Position of Local Authorities.

	Product of 1d. rate(a)		Financial Assistance at 31st July, 1944(b).
	1941-42.	1944-45.	
	Per cent.	Per cent.	£
Great Yarmouth C.B.	65	68	233,300
Lowestoft B.	79	82	nil
Southwold B.	49	70	nil
Aldeburgh B.	73	87	1,600
Felixstowe U.D.	54	76	7,100
Harwich B.	84	86	17,700
Frinton and Walton U.D.	29	73	23,800
Clacton U.D.	28	57	109,000
Southend-on-Sea C.B.	48	82	1,132,500
Margate B.	28	40	316,600
Broadstairs U.D.	30	46	103,800
Ramsgate B.	40	48	291,400
Sandwich B.	90	100	nil
Deal B.	46	69	88,600
Dover B.	62	69	165,600
Folkestone B.	39	49	153,000
Hythe B.	57	66	45,000
New Romney B.	111	73	6,600
Rye B.	78	96	(not in scheme)
Hastings C.B.	53	71	183,300
Bexhill B.	39	71	177,300
Eastbourne C.B.	56	61	362,600
Seaford U.D.	78	84	(not in scheme)
Newhaven U.D.	65	93	" " "
*Brighton C.B.	80	85	132,000
*Hove B.	95	86	(not in scheme)
*Portlade U.D.	105	94	" " "
*Southwick U.D.	103	110	" " "
*Shoreham-by-Sea U.D.	86	89	nil
*Worthing B.	89	93	(not in scheme)
*Littlehampton U.D.	92	92	" " "

Moratorium areas not included in the inquiry (see paragraph 2).

Ipswich C.B.	102	102	(not in scheme)
Colchester B.	103	105	" " "
Ashford (Kent) U.D.	100	102	" " "
Canterbury C.B.	99	88	nil

(a) Expressed as a percentage of that for 1939-40. Actual figures for 1941-42 are not available and those given are based on an estimated 1d. rate product.

(b) Given on a provisional basis, being measured by the cash deficiencies arising from time to time. "Nil" indicates that a local authority is in the scheme but at the date given is not in receipt of assistance.

* No official moratorium.

APPENDIX B.

LEAFLET CIRCULATED IN EVACUATION AREAS.

DANGER OF INVASION.

Last year all who could be spared from this town were asked to leave not only for their own safety, but so as to ease the work of the Armed Forces in repelling an invasion.

The danger of invasion has increased and the Government requests all who can be spared, and have somewhere to go, to leave without delay.

This applies particularly to—

- School children.
- Mothers with young children.
- Aged and infirm persons.
- Persons living on pensions.
- Persons without occupation or in retirement.

If you are one of these, you should arrange to go to some other part of the country. You should not go to the coastal area of East Anglia, Kent or Sussex.

School children can be registered to join school parties in the reception areas, and billets will be found for them.

If you are in need of help you can have your railway fare paid and a billeting allowance paid to any relative or friend with whom you stay.

If you are going, go quickly.

Take your

- National Registration Identity Card ;
- Ration Book ;
- Gas Mask ;

ALSO any bank book, pensions payment order book, insurance cards, unemployment book, military registration documents, passport, insurance policies, securities and any ready money.

If your house will be left unoccupied, turn off gas, electricity and water supplies and make provision for animals and birds. Lock your house securely. Blinds should be left up, and if there is a telephone line ask the telephone exchange to disconnect it.

Apply at the local Council Offices for further information.

When invasion is upon us it may be necessary to evacuate the remaining population of this and certain other towns. Evacuation would then be compulsory at short notice, in crowded trains, with scanty luggage, to destinations chosen by the Government. If you are not among the Essential Workers mentioned above, it is better to go now while the going is good.

Private Car and Motor Cycle owners who have not licensed their vehicles and have no petrol coupons may be allowed to use their cars unlicensed for one journey only and may apply to the Police for petrol coupons to enable them to secure sufficient petrol to journey to their destination.

Essential workers must stay,

particularly the following classes:—

- Members of the Home Guard.
- Observer Corps.
- Coastguards, Coast Watchers and Lifeboat Crews.
- Police and Special Constabulary.
- Fire Brigade and Auxiliary Fire Service.
- A.R.P. and Casualty Services.
- Members of Local Authorities and their officials and employees.
- Workers on the land.
- Persons engaged on war work, and other essential services.
- Persons employed by contractors on defence work.
- Employees of water, sewerage, gas and electricity undertakings.
- Persons engaged in the supply and distribution of food.
- Workers on export trades.
- Doctors, Nurses and Chemists.
- Ministers of Religion.
- Government employees.
- Employees of banks.
- Employees of transport undertakings, namely, railway, docks, canals, ferries and road transport (both passenger and goods).

WILL SPENS,
Regional Commissioner for Civil Defence.

Cambridge, March, 1941.

Treasury Department
Division of Monetary Research

187

Date Oct. 16, 1944 19

To: Mrs. McHugh

This is in response to the
Secretary's request of October 4th -
pencil note on our yellow slip of
Sept. 26th appending copy of memo "The
German Escape Plan".

L. Shanahan

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

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE October 11, 1944

TO Secretary Morgenthau

FROM Mr. White *HW*

Subject: Latest Steps to Control Flight of Axis Capital

- (1) On October 2, 1944 we informed the several European neutrals and Turkey that this Government fully supported Resolution VI of the Bretton Woods Conference, and called upon such neutrals to take the necessary steps to carry out the resolution. Similar action was taken by the British. Russia was invited to take concurrent action, but has not yet done so.
- (2) The Swiss have been asked by the British and ourselves to adopt a gold policy whereby they would refuse to accept any gold coming from Axis or Axis-occupied territory. We propose to ask the other neutrals to adopt the same policy, but British concurrence has not yet been received in this further step.
- (3) Our Missions in neutral countries have been given instructions to compile and forward all pertinent data relating to flight of Axis capital. The flow of material in response to such instructions is now small, but is increasing. The British have sent out similar instructions, including instructions to catalogue all Axis assets.
- (4) A travelling mission, composed of representatives of Treasury, State and FEA has just completed a tour of the more important European Missions to survey the problem of flight of Axis capital and to recommend a program for future action. Their findings should provide the basis for the taking of future steps.

Treasury Department
Division of Monetary Research

189

Date October 18 19 44

To: Secretary Morgenthau

I suggest you will find this
report on France worth reading.

H.D.W.

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

October 11, 1944

MEMORANDUM FOR THE FILES

Subject: U. S. Policy Committee for French Empire Economic Affairs--
Remarks of Judson E. Hannigan, Chief of the French Division
of FEA. (Mr. Hannigan left Paris on October 1, 1944.)

(Hannigan's remarks are quoted as closely as possible. However, their sequence has been altered so as to permit a more logical arrangement of topics.)

(1) Physical Condition of France

The first impression one receives in Paris is that one is back in the year 1929. Passing pedestrians are well-groomed, healthy, and seem to have suffered little as a result of the years of occupation. Compared to London and other places, Paris and France generally are better off.

The most notable thing about France is its physical dismemberment. Communication and transportation are virtually nonexistent, and, therefore, the ties which hold the country together are broken.

The French are in a desperate condition as far as ports are concerned. All ports are in a terrible condition. The only port in France through which materials may come in is Cherbourg, and it can handle only 1,000 tons a day. The French have requested that Bordeaux be set aside for their exclusive use in bringing in necessary supplies. The port of Marseilles was pretty badly beaten up, and even when it is restored much work will have to be done before communications can be restored, since it is cut off from the rest of France by the destruction of railroad bridges. In connection with the desire of the people in North Africa to obtain a dredge for the port of Sfax--if there is any dredge available, the French will most certainly use it themselves. (Sfax is a main port for the traffic in phosphates.)

The industrial machinery and equipment of France is there and ready to go to work. In many cases, the damage which had been done by Allied bombing had not been very extensive so far as concerns the actual machinery.]

For example, the Goodrich Tire Company is already to recommence. All it needs is raw materials. The General Purchasing Agent (GPA) of the Army is arranging now for American synthetic rubber to go to this plant so that it can immediately produce tires for the United States

- 2 -

and British Armies. Another example is the Renault works. Although these plants were bombed by the Allies on several occasions, they are 95 percent intact; although the buildings were destroyed, the machinery is intact, ready to go back into production as soon as new buildings are constructed and raw materials are obtained.

The French have 1 million tons of coal above ground. Their one big problem is the pit prop. Because of lack of transportation, there is no way of carrying the wood for pit props from other parts of France, Spain, and Portugal as before.

The GPA office provides a regular weekly report of captured German materials. These consist of large quantities of steel, I-beams, rails, etc. It is important that we take this material into consideration, and such weekly reports should be procured as soon as possible. (Hannigan is attempting to secure these reports, so far without success.)

(2) Unemployment

The French must relieve unemployment. A most important problem is to get the workers back to work. To assist in this, our best contribution will be raw materials. There is not at present much unrest because of the unemployment problem, since the employer, under a Vichy law, is obliged to pay the employee who is thrown out of work because of lack of materials or for other causes 75 percent of his normal pay while the factory is closed.

(3) Supplies

The two most important immediate French needs are: (1) restoration of transportation so that fuel may be transported and power reestablished; (2) raw materials to enable its industries to start going again immediately upon the restoration of power.

The Army has Civil Affairs Officers to determine the needs of the area. The Allies went through France so fast that the Civil Affairs Officer who ordered supplies for a certain area left before the supplies arrived. As a result, the supply picture was greatly confused. Before Hannigan left, the United States Army had been notifying Monnet that on December 31, 1944, the French should take over the supply responsibility. This had not been communicated to the French in France or G-5 in France soon enough. This is an example of poor coordination which must not be permitted to happen. When Scowden heard of this proposal, he rejected it as ridiculous and utterly impossible of fulfillment. He said that it was a good goal to strike at but was not realistic. He suggested March 1, 1945, as a better date.

- 3 -

(4) Status of De Gaulle Government

The French Government seems to be well established in Paris. However, its files, records, and functionaries remain in Algiers while its Ministers are in Paris, and as a result it cannot operate effectively. The French recently made a request to SHAEF for the provision of air-transport facilities to bring 3,000 functionaries and their families from Algiers to Paris. SHAEF refused to do this; whereupon the French requested that 1,200 people be brought, and the matter is still being discussed.

As far as one could tell, De Gaulle was well received everywhere. The Government has a firm hand and is trying very hard. The French are even more conscious of their sovereignty in Paris than they were in Algiers.

(5) Social and Economic Trends

Among the French upper-class civilians, there was a universal hysterical fear of what will happen when the Allied armies leave France: fear of the underground, fear of the Communists. These people are afraid of the Communists and of the socialistic tendencies of the lower classes. The Government seemed unable to control the socialistic trend.

There was a strike at Toulouse, where the French workmen took over the plant and refused to leave. The Government sent two generals down to try to straighten this matter out, but they were sent back to Paris. Finally, the Government set up a commission composed of representatives of (1) workers, (2) the Government, and (3) the public, but there was no representative of management on the commission.

The French nationalized the coal mines. They said that payment would be postponed until a later date.

The socialistic trend may be attributed to the worker's attitude that he had suffered; that his bosses had made him work hard for the Germans; that therefore, they (the bosses) were collaborationists. This was an excuse used for forcing out the management--sometimes sincere, sometimes specious.

The workers suffered a good deal under the German occupation. They were restricted to what the Germans allowed them to do. Their wages did not allow them to purchase on the black market. They resented the fact that the management was collaborating with the Germans, and now they feel that they have their opportunity to strike back.

- 4 -

A remarkable feature was the presence of very large numbers of United States and British flags. In answer to a question, Hannigan said that there were few Soviet flags--mostly on the left bank.

(6) German Administration of French and United States Companies

Contrary to the many reports which were received during the occupation period, the Germans did not scramble up corporations. The Germans would appoint administrators for the various companies, who did little or nothing outside of collecting their substantial pay and for acting as administrators, leaving the actual management to whomever had previously been in charge. An example is the United Shoe Machinery Corporation. When the Germans arrived, the American management returned to this country. A German administrator was appointed to manage the company and protect the interests of the Americans. The administrator arrived at the plant and advised the French manager that his charge for establishing the administration was 60,000 francs and that his fee as an administrator would be 30,000 francs per month payable on the first of each month at a designated hotel. The check was sent to him each month; the administrator never again appeared at the plant. French industrialists related the same experience.

Among the firms which had been in operation all during the occupation were: Coudert, Morgan Harjes, and Chase.

An example of the inefficient German administration was related by the manager of Coudert. A Frenchman had left certain jewels with this company. The jewels were deposited in a vault at Morgan's. A German came to Coudert's and asked for the jewels. The official in charge stated that they were in a certain Morgan vault. The German went to the vault and found pasted across the box a sign in German indicating that the contents had been sequestered. The German, seeing the sign, assumed that some other German agency had pasted it on the box and went away, saying that he would return later. He never did, and the jewels remained in the box.

All of the industrialists tell of calls made upon them by the Germans demanding certain things, such as machinery needed for production in Germany. The French would first say "No"; that the machinery was needed to produce certain supplies necessary to the French economy or to produce things that were needed for some other plant which the Germans were using. The Germans would leave, saying that they would return. Arguments would go on for months. The French would play one German against another, and in the end nothing would be done about the requisition. As to why these ruthless Huns

- 5 -

had put up with all this argument and stalling, it was completely without a reasonable answer, except possibly that the various German commissioners were (1) not Nazis, (2) after an easy life, or (3) not really ruthless.

Outside of the Jews and possibly some other special groups, the French people were well treated by the Germans. We (the Americans) must see to it that we conduct ourselves well so that no unfavorable comparison can be made.

The Germans were vastly more ruthless in Belgium than they were in France. The Belgians were reluctant to say much to Civil Affairs Officers concerning their problems. It was later discovered that they had been keeping a separate set of books for the Germans, in addition to those they kept for themselves, and that they were showing the German books to the Allied officers. They finally admitted this, saying that they had gotten in the habit.

(7) Prices

In Paris, the store windows are full of beautiful materials. Pure silks and woolen cloth in bolts are available for purchase. Men's leather shoes sell for about \$9.50 and excellently manufactured ladies' shoes for the same price. The materials may not be of the best, but there is no external indication that they are not of the best leather. These are supposed to be rationed, but may be purchased without a ration coupon for a few extra francs. The Ritz Hotel has a doorman who takes your bicycle and parks it. The lounges are jammed with French civilians, just as they were in prewar days. The American bar is jammed. One sees few soldiers, mostly upper-class civilians. A standard dinner there costs \$3. Champagne is purchasable at \$6.75, and good red Bordeaux for \$2.

(8) Exchange Rates and Banking Structure

The bankers want a change in the exchange rate as soon as possible. Hannigan indicated that such a change would be a lowering of the rate. Bootlegging of dollars is carried on at 3 to 4 times the established rate, and of pounds at $3\frac{1}{2}$ to $4\frac{1}{2}$ times the established rate. There are few dollars and pounds available. However, the "shuttle boys" (Hannigan evidently referred to the crews of planes flying between Britain and France) are doing pretty well. Not much of the existing black market is due to the civilians in France.

The banking structure is more disorganized than almost any other aspect of the economy. Hannigan referred to an article by Harold Johnson

- 6 -

in the Daily Mail to the effect that private trade with France would be impossible for at least a year, owing to the banking situation and other factors, and said that he agreed with this.

(9) SHAEF Mission in France

There is in Paris a SHAEF mission--40 strong and well-knit. This mission under Brigadier Lee is doing fine work. The joint mission is composed of 6 sections, of which 5 are: (1) posts, telegraph, and telephone; (2) public utilities; (3) industrial products; (4) agriculture; and (5) general supplies.

The counterpart of the 6 sections of this mission is had by the French. The SHAEF mission and the French opposites are working very well together.

(10) Civilian Agencies' Operations and Plans

Brigadier Lee had invited Harold Johnson, a top FEA man, and Gridley to attend all of his staff meetings which are held 6 days a week. The meetings are very efficient, and the only reports that Lee permits to be made are those concerning accomplishments. McAllister, Gridley, and Johnson attend, making it possible for this Government to make suggestions.

Colonel Black, the SHAEF Chief of Supplies, has given FEA an office near the SHAEF mission. FEA also has an office in the American Embassy. There is a constant interchange of opinions between the civilians and the military, and no difficulty can arise among FEA, State, the Army, and the British.

Colonel Black stated that the Army wants to get out of France just as soon as possible, consistent with its obligations. The Army is extremely desirous of having FEA ready to take over as soon as possible.

For its future operations in France, FEA contemplates a small staff, possibly consisting of 12 to 16 permanent people, including stenographers. If it is necessary to send a specialist to do a particular job, he can be sent to France in 24 hours. It takes only 1½ hours to go from London to Paris. When the specialist has completed his job, he should return.

There should be no dissension concerning which agency does a particular job--whether State, FEA, WPB, etc. The only thing which should be recognized is that the job is being done by the United States Government. Petty jealousies should not be permitted to hinder this objective. There now exist smooth and effective operations.

- 7 -

(11) FEA's Plans for Its African Missions

Alphand has requested the continuation of NAJEM. His reason is that some negotiations will be required in Algiers. These will be preliminary: final negotiations to take place in Paris. General Catroux has been appointed the new Minister in North Africa, and a continuation of NAJEM will help Catroux to get established there. Hannigan stated that he hoped to be able to terminate NAJEM's operations on November 30, 1944, leaving perhaps 10 people in North Africa. Two specific problems which require the continued presence of an FEA representative in North Africa are: (1) the question of payment for supplies shipped on remaining convoys; (2) the disposal of war surplus materials. FEA does not know as yet whether war surplus materials will be its problem.

Mallet (the FEA man) wants to leave Madagascar. Dakar will be closed. The future of UKCC is undecided. The British consider that the French will want all North African commodities for France. The British propose to continue the Coal and Minerals section of NAJEM in some form or other. It is considered that there will be no joint action by the British and the Americans such as took place under the NAJEM mission. Close collaboration will continue, but there will be no formal body to take joint action.

(12) Proposal that FEC's Scope of Operations be Enlarged

Hannigan recommended that the scope of FEC's operations be extended to take in metropolitan France, and referred to discussions which had taken place in Europe on this subject.

(13) Businessmen in France

In reply to a question concerning the Daily Mail story (that American businessmen in uniform were attempting to reopen business relationships), Hannigan stated that he discussed the matter with many people and tried to run the story down. He found no evidence of anything of the kind as was related in the article.

He said that the rumor might very well have arisen from the fact that people may have heard scraps of conversation concerning business matters which had to do with government problems without realizing that the individuals concerned were not private businessmen. For example, Hannigan might have been overheard talking to a French official about supplying France with certain raw materials, and discussing tonnages, etc. The person overhearing it would not know that Hannigan and the person with whom he was talking were government officials and would relay the rumor that an American businessman was attempting to procure orders.

- 8 -

The fellow who wrote the story was asked in an interview to give a single instance or a single name to corroborate his story, and he could not do so. At the interview, another Englishman tore him apart for attempting wilfully to place an obstacle in the way of British and United States relations.

Another British paper had an article in which it was stated that the president of the British Chamber of Commerce had returned from France with a glowing report of the future business possibilities in France.

(14) Future of France

It is impossible at the present time to discuss the problem of procuring luxury items from France because of the lack of transportation to move these items to the ports. (A FEA representative indicated that FEA is under great pressure in this country to commence the import of luxury items from France.) Because of the fact that the banking structure was more scrambled than anything else, the setting up of such private trade will be impeded for some time. The French are talking of a government agency to act as a conduit through which the way can be smoothed between the exporter and the importer. However, it was Hannigan's opinion that there would be no reopening of private trade for at least a year, due primarily to the scrambled banking situation and the lack of transportation.

The United States is now in a position to be of enormous assistance to the French, and the way in which this problem is handled will have a great influence on the future course of Franco-American relations. All that France needs is aid. In two years, the French will be back on their feet, and France will be in a better position than Great Britain. Good will toward this country is increasing.

Peter H. Delaney

James R. Brooks

JRB PHS

Oct. 11, 1944

Mr. Shaeffer

Secretary Morgenthau

Please prepare two books containing favorable and unfavorable comment by the newspapers on the so-called "Morgenthau Plan" and give them to Mr. Gaston, keeping them current each day.

HMJR:pm

October 11, 1944.

Dear Governor Gruening:

Your letter of September 30 gave me reassurance and encouragement. My faith in the good sense of the American people had been shaken by some of the stuff that has been printed since stories of the "Morgenthau plan" first appeared. Recently I have been hearing from people whose judgment I respect and they don't reflect the notion that we mustn't do anything to weaken Germany industrially or to hurt German feelings.

I agree with you wholly as to the Moulton-Marlio book and have so expressed myself to Harry Scherman of the Book-of-the-Month Club.

I am interested to know that you are coming to Washington soon and shall be happy to see you.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable Ernest Gruening
Governor of Alaska
Juneau, Alaska

HEG/mah

TERRITORY OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

PERSONAL

September 30, 1944

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

Dear Mr. Secretary:

I do not know whether the various columnists, dopesters, etc., have reported your position correctly, but if it is correct that you take the position that Germany should be made an agricultural nation henceforth, and deprived of heavy industry, I want to express my hearty approval and enthusiastic endorsement for so sound and justified an attitude. One could write volumes on why this should be done. However, the volumes all appear to be on the other side. I have just finished reading a volume called "The Control of Germany and Japan," by Moulton and Marlio, published by the Brookings Institution, which seems to me a fine example of defeatism and of precisely the mental attitude that made the rise of Hitler possible.

If the majority of Germans escape the fate which they had already meted out to the innocent peoples they had conquered, they will be extremely lucky. I see no reason why the world should, for the next fifty years, live in constant apprehension lest the delicate checks which conceivably may be suggested for Germany are violated. The first move, of course, in the control of Germany is to get rid of the criminals, which would include the entire Gestapo, the SS troops, and the officials, great and small, of the Nazi party, and a wide assortment of military.

This is just a personal letter, but I felt strongly moved to write it. I look forward to seeing you shortly when I come to Washington.

Cordially yours,

Ernest Gruening
Ernest Gruening
Governor of Alaska

P.S. I am enclosing a copy of my letter to Louis Marlio concerning his book.

TERRITORY OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

September 30, 1944

Mr. Louis Marlio
c/o The Brookings Institution
Washington 6, D. C.

Dear Mr. Marlio:

I thank you very much for sending me your book, "The Control of Germany and Japan," which I have read with great interest.

Candor obliges me to say that I disagree profoundly with its conclusions.

My reaction was that the book might be more appropriately entitled, "Why it Will Be Practically Impossible to Control Germany and Japan."

Your every argument is directed to show why almost nothing will work. In the one or two instances where you indicate the possibility that some measure will work, the argument appears to be timid, dubious, and as if the writers themselves were unconvinced and willing likewise to leave the reader so. This book should, and no doubt will, give great comfort to the Nazis, who are now planning World War III, and who will read in it the indecision, tenderness, divided counsels, economic dialecticism and academic pro-ing and con-ing which offers them hope of success, and which may demonstrate how, after winning the war, we can lose the peace.

The essence of my dissent lies in the sentence on page 45: "Nothing could be more humiliating to a people than to be denied the right to fly, and such a prohibition to the German people would be a source of perpetual hostility."

This is the kind of defeatism and soft thinking that made the rise of Hitler possible, and will make the survival and resurgence of Hitlerism certain.

It no doubt is extremely humiliating to people convicted of crimes to, let us say, be confined between prison walls. It must be very humiliating to them not to be able to walk out freely like other men. Nevertheless, society, for its own protection, so provides. When the German criminals—those responsible directly and indirectly for the cold blooded slaughter of millions of civilians—have met their just desserts at the end of a rope, and it is scarcely possible to give them their just desserts because you can only hang a man once no matter how many people he himself has tortured and murdered, it will be time to think about the fear that you seem to have of "humiliating" that people.

Mr. Louis Harbo

-2-

September 30, 1944

I have no doubt that your views are orthodox from the standpoint of an economist, although of course economists frequently disagree. However, the basic mistake that seems to me to be made in your approach is that you think of the German people as one would normally have done of a defeated people after any other war. This is the fundamental error. It was not that kind of a war. We are dealing with bestiality and sadism without precedent, widely conceived, deeply inculcated, and deliberately executed on a national scale. I would much prefer to take no chances that this repeat itself for the sake of the next generation of American, French, British, Norwegian, Greek, Dutch, etc., etc. boys, even at the risk of "humiliating" the German people, at least for a long time.

It is probably rather ungracious of me to be so critical of the book which you were kind enough to send me, but I am sure you would prefer to have the expression of my views than not.

Sincerely yours,

Ernest Gruening
Governor of Alaska

ed/38

cc: Secretary Morgenthau

October 11, 1944.

Dear Mr. Parks:

I am writing to express my appreciation of your editorial of September 27 under the title "Pastoral Nations."

I particularly liked the last paragraph, which, as you will remember, read:

"The plan to make agricultural nations out of our enemies should be debated not on the basis of whether we should or should not be sympathetic toward them, but rather on the basis of whether or not such a plan would discourage their war-making proclivities forever."

It is gratifying to me to note the high plane on which this subject is being discussed by many newspapers, yours among them.

Since I have not felt it proper to make any public statement on this matter, I hope you will regard this as entirely personal and confidential.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. R. L. M. Parks
Editor, Augusta Chronicle
Augusta, Georgia

HEG/mah

Pastoral Nations?

The argument in which President Roosevelt, Secretary Morgenthau, Secretary Hull, Secretary Stimson, Admiral Land and others, are involved on the subject of the kind of treatment Germany will receive after the war serves to show us just how knotty is the problem with which we are dealing.

Secretary Morgenthau, we are told, originated the plan for wrecking German industry, and forcing Germany to become an agricultural nation.

The theory here, of course, is that if Germany is denied heavy industries she can never again embark on any aggressive ventures, because without industry a nation cannot make war.

President Roosevelt reportedly agrees with the Morgenthau thesis; but Secretary Hull is cool toward it, and Secretary Stimson is pictured as being thoroughly opposed to it. Admiral Land has ranged himself on the side of those who favor making pastoral nations out of our enemies, and he would include Japan along with Germany in dividing these countries' foreign trade among the Allies.

Perhaps the best way to insure the future peace of the world would be to reduce the two

major aggressor nations of the world, Germany and Japan, to the status of agricultural states since both of them have repeatedly shown that making war is their national policy.

Our enemies deserve no consideration when the day comes to impose peace terms on them; they will deserve just what they get, which should consist of stern, and not easy, peace terms.

The plan to make agricultural nations out of our enemies should be debated not on the basis of whether we should or should not be sympathetic toward them, but rather on the basis of whether or not such a plan would discourage their war-making ~~propensities~~ for ever.

October 11, 1944.

Dear Mr. Jenkins:

I have noticed with interest your editorial of September 29 under the title "Morgenthau Plan for Germany."

Free discussion such as we are having of the question of the treatment to be accorded Germany after its military defeat is, I think, an excellent thing.

In the last paragraph of your editorial you state; as I believe, the crucial point. The question is what means we can adopt which will make it impossible for the Germans to build another war machine in the near future.

I hope you will regard this letter as entirely personal and not for publication.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. H. V. Jenkins
Editor, The Savannah News
Savannah, Georgia

HEG/mah

Morgenthau Plan for Germany

Secretary of the Treasury Morgenthau has created a considerable controversy by his suggestions that when Germany is conquered the Reich not only be prohibited from the rebuilding of her industry, but that her existing industry be destroyed.

Critics of his plan emphasize that this will mean that Germany would be forced to become an agricultural state whereas she is by nature and by the gifts of her business leaders and scientists primarily an industrial one.

The proposal undoubtedly poses a difficult decision. It cannot be denied that the Allies in 1918 made the mistake of their lives when they permitted Germany to rebuild her industrial structure on such a firm foundation that in time it was possible to use it as a means of creating one of the world's most potent war machines when Hitler rose to power.

One thing is patent and that is that if Germany is allowed to maintain an industrial status it must be done with eternal vigilance on the part of the Allies to see that the Reich's industries are not converted to the grim business of initiating a third world war.

Mr. Morgenthau's plan is highly doubtful from a long-range viewpoint and taking into account the Teutonic dislike for agriculture and the German liking for scientific and industrial developments. Nevertheless, the Germans must be so completely defeated in this war that for generations to come they will be powerless to build up another war machine with which to threaten the peace of the world again.

October 11, 1944.

Dear Mr. Jones:

I was much interested in your editorial of September 25 entitled "Soft or Hard Peace."

I think you go to the heart of the matter when you write: "The bloody fact is that we are fighting the war for a hard peace."

If our object were merely to get the Germans to call quits for this time, we might, as you say, have come to terms a month ago - perhaps much earlier.

I have all along believed that one of the first requisites of a sound peace is that ability to make war within another generation ought to be put as far as possible out of reach of the Germans. I am willing to use economic as well as political controls for this purpose, and to use them, not half-heartedly, but in ways that will be effective.

After our experience in two wars within our recollection it is appalling to me to read peace settlement suggestions that amount to little more than mildly reproving the Germans and trusting for the future to an appeal to their better natures.

Since the matter is one on which I can't properly make a public statement, I hope you will treat this as personal and confidential. Its purpose is to express my appreciation of an editorial position which reflects clear and vigorous thinking.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Jenkin Lloyd Jones
Editor, The Tulsa Tribune
Tulsa, Oklahoma

SOFT OR HARD PEACE

SECRETARY OF STATE HULL, Secretary of War Stimson and Marshal Stalin of Russia cannot stand simply on objections to the plan revealed Saturday night of Secretary of the Treasury Morgenthau for complete dismemberment of Germany. If they have a better plan they must present it at once.

The bloody fact is that we are fighting the war for a hard peace. A soft peace could have been made a month ago, or could be made today. We could stand guard over a disintegrating German army while the Air Force completes the demolition of German war industry and lose only a few men. But our military commanders have no authority to make an armistice or seek the safety of inaction for their men. They are fighting forward viciously on all fronts and are trading thousands of their men, our men, for tens of thousands of the enemy. The casualty rolls reveal this.

If after all of this, if in November, we make a peace that is a soft one, these thousands will indeed have died in vain in September and October and there will be a cold and ghostly query for the reason to the men who prolonged the war of action to no avail.

Secretary Morgenthau's proposal is hard, admittedly. But how else must we treat a people who have twice in 25 years drenched the world in blood for an ignoble purpose? Must we leave them the hope that though Kaiser Wilhelm failed to make the "master race" master in fact and though Adolf Hitler also failed, but only by an eyelash, the third leader of such an unholy uprising could succeed? Mr. Morgenthau is at least realistic. If our armies do not beat the insane hope out of their heads, the Secretary proposes to delay the third attempt at realization as long as possible by stripping the Germans of every facility for war making.

He would remove all German industrial machinery to the countries that have been devastated by the German war machine, permanently close the mines of Germany, give the Saar and the Western Germany industrial areas to France and Eastern Germany to Poland. Finally he would break up the German land-

holdings into small farms and under prolonged control by an Allied military commission see to it that the German people grub their living from the earth hereafter, as millions of their betters, the peasants of other European countries, have done for several centuries.

There would be no phony demand for reparations, no loans to pay the interest on the static principal of a war debt. Germany cannot pay in money for the wreck she has made of the world by this war. Money cannot restore the millions who have died driving the madmen of the "master race" into a corner. These millions, our thousands of Americans, gave their lives not to attempt to teach the Germans a lesson. The Germans cannot learn. They gave their lives for a peace that will make it certain that the Germans cannot plunge the next generation of our schoolboys into another war. Their fathers and mothers, wives and brothers are not going to sit silently by and permit a peace that makes a mockery of these sacrifices. Mr. Morgenthau's peace has iron in it. It is malleable but it is not quickly collapsible.

General Eisenhower said Saturday that the military position of Germany is hopeless and that further fighting means only more destruction without hope that the Germans can change the outcome. He said the Junkers generals cannot mount an effective counter-offensive. Yet the fighting goes on and so naturally does the loss of precious lives. The Germans apparently intend to make war until their last soldier is killed or captured while killing or maiming our men.

It will not do to make a peace in November that takes no account of these losses that could have been stopped in September if a soft peace is all we are to get. Secretary Hull's concern that Russia will not like Mr. Morgenthau's proposal is irritating. The time to have found that out was weeks ago, when President Roosevelt and Marshal Stalin were together. What did they talk about? The November election? After both sides are committed to a war of annihilation, and are carrying it out, is not the time for the Allies to turn back. If we are tricked again, and this time by our own leaders, the world will be shaken to ~~down~~ by the millions of soldier dead turning face downward in their graves.

October 11, 1944

Dear Arthur:

I am sending you herewith a digest of German reaction to discussion of future treatment of Germany.

Yours sincerely,

(Signed) Henry

Mr. Arthur Sulzberger,
Publisher,
New York Times,
New York, New York.

October 10, 1944.

MEMORANDUM

The following special report was supplied by the Office of War Information:

Special report on enemy handling of
Morgenthau Plan for Germany

1. How the enemy covered the story. First mention of the story by the enemy was on a German Home broadcast of September 25 (11:30 British Summer Time Political Review). The German Home Service made brief references to the plan on several evening broadcasts of that day.

On September 26 the subject was featured in all morning and evening papers. Volkischer Beobachter devoted its whole front page of six columns of that day to discussion of the consequences of defeat for Germany, emphasizing the Morgenthau plan as the "official" Allied plan. DNB carried summaries of these newspaper stories on its home and European services on September 26. Transocean carried it to the Far East. NPD's press surveys of the 26th covered the same material.

On September 27 one German forces broadcast carried a repeat of a German Home Service item. On the same day there was a brief reference in a French broadcast (Voix du Reich). Discussion continued in the press of the 27th. The story was brought up at the Foreign Office press conference on September 28 and the comments of Schmidt were reported by NPD, (German agency by wireless for its agents overseas), Transocean (sends by wireless for foreign consumption only) and the German Home (voice broadcasts) Radio on that day.

Up to September 29 the only references to the Morgenthau Plan on German broadcasts to Europe were the single French reference mentioned above and several broadcasts on the bogus English NBBS, where the story was extensively used to implement anti-American and anti-Russian directives. With these French and English exceptions the story was not used on any German broadcast to Europe in any language, or on any satellite or Axis dominated neutral radio, in so far as BBC monitoring reveals.

- 2 -

2. Enemy use of the story as propaganda

(A) General Treatment.

The story of the Morgenthau plan broke on the eve of the celebration of the fourth anniversary of the Tri-Partite Pact and at a time when German propagandists had been stressing the "Strength through Fear" theme. The story was highly available for exploitation in connection with these two campaigns. Radio treatment emphasized that the aims of the western powers were no different than those of the Bolsheviks, but that both envisage the extermination of the German people, who know that they are fighting for their very existence.

Press stories emphasized the "biological" consequences of the reduction of Germany to an agricultural state, recalled Clemenceau's dictum that there were 20,000,000 Germans too many and said that the present plan surpasses "the devilish work of hatred of 1918." It was characterized as a plan of Jewish hatred and vengeance -- "Revenge on the scale of the Old Testament." It was "tantamount to a declaration of permanent war." This plan of destruction was contrasted with the Tri-Partite powers' plans for the peaceful and constructive development of the world.

In general, the story was handled on press and radio as a vindication of German propaganda which has been telling the German people for years that precisely the fate planned for them by Morgenthau was in store for them in the event of an Allied victory. Schmidt mentioned specifically that such outbursts of Old Testament hatred are the clearest possible justification of our anti-Jewish policy."

On all channels the features of the plan selected for emphasis were those dealing with German economic structure. The parts of the plan that dealt with the partition of Germany were practically ignored, except in NBBS (New British broadcasting station - operated by the Germans) broadcasts to Great Britain.

The NBBS handling emphasized the political consequences, predicting the spread of Communism as a result of a German collapse.

- 3 -

(B) Treatment on German Home Radio.

Dr. Ettwards in his "Political Review" of September 25 pointed out the similarity of the Morgenthau Plan to the Soviet plan as described by "The Bolshevik Political Economist" Dallin whose article in "The American Mercury" the American censors "permitted to be published."

Ettwards said "The Morgenthau Plan is wishfully designed to destroy German industry and in case of victory to reduce Germany to a primitive agrarian state on the pattern of the Central American Republics... The Soviet Union's plan is designed to lower the living standard of the German people to the lowest level existing in the Soviet Union... We in Germany cherish no illusions about the fate that the plutocrats and the Bolsheviks wish to enforce on us: Indeed, the lack of illusions concerning the merciless war aims of our opponents is one of the strongest sources of our power to resist."

The following day, September 26, fresh details were provided by unidentified commentators who said: "The Jew Morgenthau...sings the same tune as the Jews of the Kremlin... Every German knows that these plans are not mere talk of individual apostles of hate, but plans of the Moscow, London and Washington Government, dictated by Jews." NY reports supply further details: "That no measures for reconstruction of Germany must be taken. Relief to the German people in the shape of food, clothes, etc., would be forbidden. The German people knows that it is not only fighting for its frontiers but also for its existence and against complete extermination."

Other broadcasts on the German Home Service of the twenty-sixth added that the plan had the approval of Roosevelt, Churchill and Eden and had been enthusiastically received in the British and American press and referred to Land's recent statement on Japan: "Meanwhile, Vice Admiral Land has advocated the complete extinction of economic life in Germany and Japan in case of an Anglo-U.S.-Soviet victory. The destructive plans of our enemies are not outbursts by individual apostles of hatred, but are the plans of our enemies in the West and the East as dictated by the Jews."

On September 27, Dr. Joseph Saal, in the mid-day Political Review brought up the theme that the Western powers thrive on war, and that the Morgenthau Plan is a plan to prolong the war indefinitely. "If we consider what it would mean if 40,000,000 Germans were to be deported or wiped out, we see the horrible picture of the future which Europe has to expect in the event of enemy victory. This will to destroy is the only putty which holds together the enemy powers. They have neither common political views nor any desire to have them...The Anglo-Americans are the arch enemies of all social and national regeneration, they want to perpetuate the economic injustices in the world and thus maintain the basic cause of this war."

Ribbentrop, in his speech of September 27 on the German Home Service on the anniversary of the Tri-Partite Pact referred to the "orgies of Vansittartism" which were sweeping over the Allies "now that they think they see victory in their grasp." He contrasted these plans with the Tri-Partite powers' constructive plans for Europe and Asia.

A broadcast to the German troops on September 27 reported that the Morgenthau Plan would forbid reconstruction of Germany and relief for the German population.

(BBC Monitoring provides no additional details on the handling of the story in broadcasts to German soldiers.)

(C) Treatment on German radio to Europe:

For two days (Sept 26 and 27) NBBS (see above) merely complained that this was an American plan to which Churchill had weakly acquiesced, and suggested that partition of Germany had been suggested by Roosevelt to avoid all possibility of friction between the Allies. Then on September commentary was devoted to the subject, with a plea for a negotiated peace to avoid a "Red Europe."

The commentator said: "We have advanced the view that it would be better now to abandon as useless the formula of unconditional surrender and persuade the Germans to lay down arms on terms which would seem reasonable on the surface and which would allow us to play a real part in European affairs such as we will not be able to play if we wait till the complete German collapse to which Stalin will take the fullest advantage...The Question is, do we want a Red Germany."

- 5 -

If these plans for the annihilation of Germany are put into practice the Germans will be reduced to such a condition of stark poverty and despair that they will naturally turn to Communism."

After a discussion of the hanging of German leaders, with the reminder that the Kaiser lived to a ripe old age in spite of all the threats to hang him, the commentator continued: "If Germany could not crush the Tito movement... Can we be certain that coercion is going to rid us of German Nationalism forever." "If we occupied Germany and turned the Nazis into martyrs we should also turn them into heroes and thus not help ourselves. But the real question is what kind of a Europe does our Government want? Do we want a Red Europe or do we not. Have we a policy or have we not, and if not why not?"

"La Voix du Reich" in a newscast on September 26 emphasized the anti-Semitic theme characterizing the plan "A typical Jewish plan to wipe out Germany."

(Restricted monitoring of enemy broadcasts to France makes it impossible to say whether further use was made of the story)

(D) Treatment in the German Press.

"Voelkischer Beobachter" of September 26, with its six column, front page treatment of Allied plans for Germany, set the tone and covered most of the points dealt with by other German papers.

The points stressed were that this is the official U.S. plan; that it is "Worse than Clemenceau," that it is a plan of starvation, "In essence the same as that being carried out in Italy."

VB said "The Morgenthau Plan contains all the demands previously made by leading economists in the U.S.A. and Britain to restrict the economic potential of the German people by the destruction of German industry to such an extent that 50 per cent of the German population would be faced with starvation or forced to emigrate as working slaves. Morgenthau goes even further than Clemenceau. While Clemenceau spoke of 20,000,000 Germans too many, Morgenthau's Plan now pre-

- 6 -

vides for the annihilation of 40,000,000 Germans...The Morgenthau Plan has been worked out at Roosevelt's instigation and at Montreal it was approved by Churchill and Eden. In essence the plan is the one adopted in Italy. Germany has no illusions as to what is in store for the German people if they do not fight with all available means against an outcome that would make such plans possible. The Quebec decision will serve only to redouble German resistance."

"Deutsche Allgemeine Zeitung" of September 26 emphasized the "Worse than 1918" theme. "Every class of our people and group of our nation has been included in this plan of destruction. Our enemies are bent on far surpassing their devilish work of hatred after 1918. Once before we witnessed the desolation of industry on the fringes of our towns; once before we saw the endless queues of unemployed in front of the labor exchanges, or we ourselves stood hungry among them. This time, however, Washington's and London's frivolous cynicism is not content with wiping out our factories. They are not only bent on making us poor, but they want to deport our most efficient men, down to the last worker. Our enemies leave us no doubt about their intention to destroy us. They, on the other hand can be in no doubt that we are filled with the utmost determination to preserve our existence under all circumstances and at any price."

"Nachtausgabe" on September 26 emphasized the implications for the Allies: "The people of Britain and the United States must be prepared to face the fact that the policy of annexations and mass deportations of peoples has been agreed on...The question is not of an 'unconditional capitulation of Germany' but a long term administration of Germany without participation by any German. This is the most serious of all postwar problems...The plan practically means the murder of 40,000,000 Germans. That this is what the enemy aims at is shown in a report by the so-called UNRRA which says that the UNRRA health service will maintain medical service for the prevention of epidemics on German territory only in as far as the interests of the occupation powers are concerned."

The discussion was continued in the press of September 27. On that day VB declared that an Allied victory would be "tantamount to a declaration of permanent war." and pointed to the example of Italy: "The Morgenthau Plan has once again shown

- 7 -

how our enemies imagine the postwar world. We can also glean it from the misery which grows parasitically in the Anglo-U.S. vacuum as Bolshevism.

The postwar era was not the Atlantic charter, but the murderous dictates forced on Italy, Rumania, Finland, Bulgaria and the devilish plan devised by the Jew Morgenthau for the hard treatment of Germany demanded by Roosevelt... The line is drawn with complete clarity. The Tri-Partite Powers are fighting for a lasting and decent peace. The Anglo-Americans and the Soviets want the rooting out of the three great cultural peoples. The Germans, Japanese and Italians know exactly what to expect, etc."

Schmidt at the Wilhelmstrasse Press conference September 28: "Morgenthau's demand for the transformation into an agricultural country with all ensuing biological consequences" as an "Outburst of Old Testament hatred" which was "The clearest possible justification of our anti-Jewish policy."

Transocean elaborated Schmidt's statement as follows: "The plan confirms the National Socialist thesis that the Jews should be completely eliminated from politics. Morgenthau's statement once again proves that people of his race are a menace when they occupy leading political positions, because they are unable to carry out any constructive policy."

3. Treatment in the neutral press and radio.

(BBC Monitoring did not report any use of the story on neutral radios up to midnight British Summer Time September 28.)

Up to 12:00 BST September 29 the only neutral press comment received came from the Stockholm paper NYA Dagligt Allehanda, the writer did not refer directly to the Morgenthau Plan by name.

After commenting on the growth of ideas of reprisals since the robot-bombing of London, he stated: "It will certainly be impossible to avoid occupation of Germany after the war. Theories on the German Nation's inability to improve are unfortunate. Acceptance of these theories is equivalent to a belief that certain nations or races are inferior -- in fact in conformity to Nazi beliefs. Such ideas as the imposition of impossible reparations, annihilation of Germany's industries, and conversion of Germany into an agricultural country are crazy and would only result in European chaos. End

CABLE FOR AMBASSADOR WINANT AND MANN FROM PEHLE.

Please refer to your 8406 of October 6.

The War Refugee Board has made its position in this matter clear to the State Department. It is understood that discussions concerning this subject are still continuing between the State Department and other interested agencies and that no decision has yet been reached.

THIS IS WRB LONDON CABLE NO. 11

11:50 a.m.
October 11, 1944

JBFriedman:ro
10/10/44

CABLE TO AMERICAN CONSULATE GENERAL, JERUSALEM, PALESTINE

The War Refugee Board requests that you deliver the following message to Davar Newspaper, 113 Allenby Street, Tel Aviv, Palestine:

QUOTE Referring your news item August 8 please airmail lists Jews confined Lodzghetto. List should contain names, ages, parentages, previous addresses persons mentioned. Ready to cover any expenses. Thanks. Cable.

CHAIM FINKELSTEIN
WORLD JEWISH CONGRESS UNQUOTE

11:50 a.m.
October 11, 1944

BAKzin: ar 10/9/44

MS-386

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

Jerusalem

Dated October 11. 1944

Rec'd 5:42 p.m.

Secretary of State.
Washington.

149, October 11. 4 p.m.

FOLLOWING MESSAGE FROM JUDAH NACHES, HENRIETTA SEID, CHARLES PASSMAN FOR JOHN PEHLN, WAR REFUGEE BOARD.

"As members of Middle East Advisory Committee of AJJDC, we have been in intimate contact with activities of War Refugee Board in Turkey and Balkans through its representative Ira Hirschmann and two of us have spent sometime in Turkey at different periods.

We feel deep obligation to express our gratitude and we are sure gratitude of all people everywhere for magnificent efforts rescuing Jews and restoring Jewish political prestige in Bulgaria and Rumania. The action of the United States Government in initiating policy of rescuing persecuted and homeless in midst of war is historic step in long American humane tradition and we urge fervently that this institution now happily established be permitted to continue its rescue activities and to this end we plead that the term and conception of rescue be interpreted broadly and generously in accordance with the needs of the thousands requiring rescue."

PINKERTON

RB
LMS

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Consul, Jerusalem
DATED: October 11, 1944
NUMBER: 153

CONFIDENTIAL

From War Refugee Board.

Please deliver the following message to Charles Passman, 18 Alfassi Street, Jerusalem, from M. A. Leavitt of the American Jewish Joint Distribution Committee:

QUOTE We have given serious consideration to your cable on further voyages of small Bulgarian and Turkish boats without safe conduct. We agree fully with your and Hirschmann's viewpoint that there is no necessity to evacuate Rumanian or Bulgarian Jews under same conditions as heretofore and therefore we would ask you to inform Jewish Agency that our understanding regarding our financial participation in these voyages is terminated by us and Jewish Agency is not authorized to proceed with such voyages counting on our financial participation. We are however prepared to consider financial participation in every future boat project for transportation of refugees to Palestine on its merits and only if we approve each project before being carried out can Jewish Agency expect reimbursement from us. Remitted \$100000 to Teheran September 26 do not understand delay reaching Teheran. Please confirm receipt. UNQUOTE

HULL

CABLE TO NORWEB, LISBON, FROM WAR REFUGEE BOARD

Please deliver the following message to Elisabeth Dexter from
the Unitarian Service Committee:

QUOTE 226 PLEASE RELAY FIELD SINGLE QUOTE WE NOW
HOLDING RESERVES FOR YOUR FINANCIAL COMMITMENTS IN-
CURRED FRANCE 1941 1942 NAMELY UHRY KOTOJANSKY DOLLARS
16700 AND ESTIMATED 24000 CREDITORS UNKNOWN TOTAL 40700
PLEASE REPORT SOONEST WHETHER THIS CONFORMS YOUR RECORDS
EXCLUSIVE OF SINGER TRANSACTION IF COMMITMENTS LESS THAN
40700 BALANCE MIGHT BE RELEASED FOR PRESENT WORK IF
NATIONAL WAR FUND AGREES AND IF APPROPRIATE TREASURY
LICENSE IS GRANTED UNQUOTE

THIS WRB CABLE TO LISBON NO 106

11:50 a.m.
October 11, 1944

FH:hd 10/10/44

JF
Distribution of this
telegram only by
special arrangement.
(SECRET W)

October 11, 1944

Midnight

AMLEGATION

STOCKHOLM

2040

The cable below for Johnson and Olson is WRB 101.

The following is the substance of a message received here:

QUOTE The situation in Slovakia has grown worse. The Neutra Rabbi and his coworkers are arrested. Deportations will commence shortly. The uprising was premature. We are doing whatever possible to stop the persecutions.

The situation in Hungary seemingly quiet but deportations are continuing. The diplomatic steps are insufficient and large amount of money must be made available. UNQUOTE

The QUOTE Neutra Rabbi UNQUOTE is the Samuel David Ungar referred to in Department's 1976 of October 2, WRB's 94. Would appreciate any information you may have throwing any light on the foregoing and any assistance that can be given Ungar and his associates.

HULL

WRB:MMV:KG
10/10/44

MCE

SE

CE

Distribution of true
reading only by special
arrangement. (SECRET W)

October 11, 1944

Midnight

AMLEGATION

STOCKHOLM

2041

The cable below for Johnson and Olsen is WRB 103.

The substance of following message has been sent to Bern as
Department's 5461 of October 7:

QUOTE Information received by Department indicates that
Jews in three concentration camps of Birkenau, Naeuss and
Oswiecin have been ordered to be exterminated. This probably
involves some 68,000 Jews.

Please convey to the German Representative at Bern through
any available channels the information that the United States
has been advised of this and also understands that Himmler has
personally authorized this death order which certain other offi-
cials will carry out. There is thus a fixation of direct res-
ponsibility for this proposed crime. Appropriate consequences
will follow in accordance with the policy this Government has
declared, and will attach to all participants, if this proposed
crime is carried out. UNQUOTE

Please make use of whatever channels may be available to
you to convey a similar message to German authorities. You
should add that the warning applies with equal force to crimes
committed at camps other than those specified.

Reports of all developments in this situation, submitted

immediately

-2- #2041, October 11, Midnight, to Stockholm.

immediately after you learn of them, would be appreciated.

HULL
(GLW)

WRB:MMV:KG
10/10/44

NOE

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
 TO: American Legation, Bern
 DATED: October 11, 1944
 NUMBER: 3486

CONFIDENTIAL

For McClelland from War Refugee Board.

Please deliver the following message to Saly Mayer from Joseph Schwartz of the American Jewish Joint Distribution Committee:

QUOTE Remitting to you \$178,000 under special license W-2106 to be utilized in connection Hungarian and Slovakian situation. Understand that Rabbi Ungar of Neutra has been deported and that you and Sternbuch are cooperating in every possible assistance to him. We would authorize any expenditure which you would find necessary to bring help to him and anything which could possibly save him. UNQUOTE

This is WRB cable to Bern No. 206.

HULL

PARAPHRASE OF TELEGRAM RECEIVED

226

FROM: AMERICAN EMBASSY, BERN
TO: Secretary of State, Washington
DATED: October 11, 1944
NUMBER: 6770

SECRET

The fourteenth of September, WRB 164.

The Solowiejczyk case was independently presented to the Swiss Foreign Office by the Legation. In an informal communication of the ninth of October the former responded that after examination of this case it envisages possibility basing intervention on paragraph number three of 2918 from the Department of the twenty fourth of August. Accordingly, instructions given pursuant thereto to Swiss Legation, Berlin. It was observed by the Swiss that the Haitian Legation, Bern has not presented Solowiejczyk case and that the Haitian Legation is unaware of the declaration of the Government of Haiti mentioned in the first paragraph section three of 3180 from the Department. It is indicated by Swiss that consequent inability to base representation on Haitian citizenship persons involved.

HARRISON

DCR:MLG
10/12/44

SECRET
OFFICE OF THE SECRETARY OF DEFENSE

REF ID: A6 51 100 111

DEPARTMENT OF DEFENSE NOT TO BE RE-TRANSMITTED

COPY NO. 11

SECRET

OPTEL No. 331

Information received up to 10 a.m., 11th October, 1944.

1. MILITARY

WESTERN EUROPE. N.E. of NANCY U.S. troops have reached LETRICOURT. AACHEN is now virtually isolated. The Canadian bridgehead on South bank of the SCHELDT has been further extended.

RUSSIA. In the North the Russians have captured LIBAU, KRETINGA and TAURAGE. Further South they have captured SAKIAI, west of KOVNO, and 12 miles from East Prussian frontier. In HUNGARY they have entered DEBRECEN, whilst in YUGOSLAVIA they have cut the BELGRADE-NIS railway 40 miles S.E. of former.

2. AIR

WESTERN FRONT. 9th/10th. 1,510 tons on BUCHUM. Results unobserved. 10th. Bad weather. 10th/11th. Sixty-eight Mosquitoes despatched, of which 49 attacked COLOGNE.

MEDITERRANEAN. 9th. Bad weather continued. 196 light bombers and fighters (2 missing) operated over the Italian battle area. ZARA Harbour, Adriatic, was attacked by 21 aircraft.

9th/10th. Wellingtons successfully bombed 3 airfields ATHENS area.

10th. 169 heavy bombers (1 missing) dropped 383 tons on railway centres TREVISO and MESTRE and on bridges over the PIAVA.

228

10/12/44

Reading copy of Secretary's speech
at New Orleans, La.

Wars, now as always, are won on battlefields.

But in modern war, which is total war, the Home Front is intimately involved. Economic stability at home is one of the absolute requisites to victory. For without economic stability it is impossible to maintain the vast and complex flow of supplies necessary for the men on the fighting lines.

It has been the task of the Treasury Department to finance the costliest war in history. I should like this afternoon to review with you in some detail the manner in which this task has been executed. Our problem has been something much more difficult than the mere raising of vast sums of money. The nub of the problem has been to raise these sums in such a way as to strengthen, rather than weaken, the national economy.

- 2 -

Half of the total resources of the United States are now being devoted to waging war. Since Pearl Harbor, war expenditures have amounted to about 208 billion dollars. During this same period, non-war expenditures have been kept down to 16 billion dollars, making a total government outlay for the course of the war to date of 224 billions.

Where has this tremendous sum come from? Well, 87 billion dollars, or 39 per cent of the total bill, has come from revenue. During the fiscal year just ended, expenditures were slightly more than 95 billion dollars and net receipts climbed to a little over 44 billions, -or 46 per cent. This means that there has been an upward trend in our coverage of war costs through taxation.

1609
126
1483

- 3 -

It is a trend which may be surprising to some and which certainly should be encouraging to all.

I want to put some emphasis on this trend since there have been charges of late that the Treasury has confused the public by persistent increases in the tax burden. In the year ended June 30, 1940, the last fiscal year before the beginning of the defense program, net Treasury receipts were slightly less than 5-1/2 billion dollars. The 44 billion-dollar total which, as I have just told you the Government took in during the past year, was an eight-fold increase - a larger increase than has taken place in the revenue collection of any other major belligerent of this war.

1483
130
1363

- 4 -

This is an important thing to remember in international comparisons because the burden of taxation must be measured not only by its absolute magnitude but also by its rate of increase. //H

Now, I do not think there has been anything confusing about this. The American people, recognizing the need for greatly increased Government revenues, have submitted to the highest taxes in the nation's history with remarkable good grace and good cheer. A sharp rise in taxes was absolutely necessary for the maintenance of economic stability.

But even after these record collections there remained the giant sum of 137 billion dollars, expended during the last three years, that had to be raised through some other means than taxation.

This money had to be raised by borrowing. It would have been relatively easy, of course, to raise it by borrowing from the banks. But in order to avoid inflation, it was essential that a large part of the increased debt be borrowed outside of the banking system - that is from the general public.

In selecting the Series E Bonds as our primary vehicle for mass borrowing, we had in mind first of all the protection of the interests of the small investor.

1278
115
1163

The Treasury Department has considered itself a trustee for the men and women who purchased Government Securities primarily to help their country in time of stress. Such investors place their faith in their Government. We wanted, therefore, to protect them, through a non-negotiable Bond, against the kind of liquidation which, experience shows, develops among small holders of securities in the event of a decline in market value.

After World War I, Liberty Bonds dropped in value down into the 80's, and many persons who had bought them during the War became frightened and sold them. They discovered later that their loss had been the gain of the speculators and the wealthy who then owned their Bonds and gleaned from them truly handsome dividends on the safest security in the world.

1163
180
103.3

It is not unnatural that they should have felt that their trust in their Government had been betrayed.

The Series E Bonds have another virtue which will be of benefit not only to those who have purchased them but to the entire national economy. When the war is over they will provide an invaluable backlog of purchasing power.

I don't think that these Bonds are going to be redeemed in a sudden deluge immediately after V-Day. On the contrary, I feel confident that most of those who bought them will make every effort to hold them to maturity. But possession of the Bonds will give to these people a sense of security about the future which will permit them to spend their current incomes more freely than would otherwise be possible. $\frac{1}{2}$

- 8 -

We shall find this purchasing power immensely helpful during the reconversion period. It will prove, I am certain, a vital asset in warding off the sort of deflation which struck this nation so disastrously in 1920 and 1921 when we turned from War to peace production.

Our fiscal policy of siphoning off excess buying power by taxing and borrowing from the general public has been one of two buttresses supporting the structure of economic stabilization. The other buttress, of course, has consisted of direct controls including rationing, price ceilings, allocations, etc.

902
91
911

- 9 -

During this war the country has devoted twice as large a proportion of its resources to war purposes as in World War I. In consequence, inflationary pressures have been very much greater. The fact is, however, that prices have been held under much closer control. Based on actual studies of price changes in World War I as compared with World War II, the savings to the Government, as a result of more effective control of inflationary pressures, has already amounted, by June 30 of this year, to 70 billion dollars.

- 10 -

But the greatest and most important saving has been that among the people themselves. In the course of this war there has been comparatively little of the reckless kind of silk shirt buying that took place as a result of inflated pay envelopes during World War I. There has been very little recourse to black markets. Instead, people have used their incomes, in considerable measure, to pay off their debts. Since the beginning of 1942, for example, farm mortgages have been reduced fifteen per cent. It is fair to say, I think, that the War Bond program, by its encouragement of thrift, has contributed significantly to this sensible restraint in the expenditure of surplus income.

- 11 -

Of course, there have been other benefits of economic stabilization, too. The success of this policy has aided in preventing the piling up of excessive profits by fortunate business concerns, has helped to reduce industrial disputes to a minimum - and here I refer you to the factual record rather than the headlines - has prevented the impoverishment of recipients of fixed incomes including soldiers' dependents; and probably most important of all, it has averted what otherwise would have been almost a certainty, the likelihood of a post-war depression.

606
88
518

- 12 -

I have discussed the problems of War Finance and economic stabilization in such detail because I feel that you have been and must continue to be vital partners in their solution. The record so far is one of which we can all be proud. It has been good in its accomplishments, perhaps even better in the fine cooperation which made these accomplishments possible. ^{3/4}

If this same tireless, unselfish cooperation is applied to the problems of the post-war world, we need have no fear of the future.

But the kind of post-war world which we desire must still be ^{won} ~~hacked~~ from the enemy on the fields of battle. The time has not yet come for us to indulge in day dreaming or celebration.

- 13 -

I am not going to offer any predictions about the end of the war in Europe. I should like to remind you, however, that much more competent military authorities than I have declared that even after the European war is won it will take us at least a year and a half to subdue our enemy in the Far East. The war that faces us there is bound to be a long and tough and costly one - in certain respects more costly than the war against Germany.

Let me remind you, too, that war expenditures do not stop abruptly with enemy capitulation. During the first six months following the Armistice in World War I, expenditures were slightly greater than during the six months preceding the Armistice.

- 14 -

Completed and partially completed products must be
paid for. Enemy countries must be occupied. Some relief
for Allied Nations will certainly be necessary. The
Armed Forces must be brought home and demobilized and,
in the meantime, they must be paid and clothed and fed.
I am sure that no American will want to fail in these
responsibilities. They are costs that must be met if
we are to make our victory complete and real. And
like the costs of the war itself they must be met in such
a way as to preserve and promote the stability of our
economy.

- 15 -

The Sixth War Loan Campaign, immediately ahead of us, is one essential step in the performance of this job.

Your job is to overcome any disposition among the American people to relax before final victory has been achieved.

I know that you will do this job as you have done the job in the past. The success of the War Bond program up to the present time has been your handiwork. It has been brought about because you tackled it with fervor and resourcefulness and devotion. I know that you have done your job only at real sacrifice of time and comfort and self-interest.

- 16 -

And I know also that the only reward that you have sought for your services has been the knowledge that you have played an indispensable part in the nation's progress to victory. I convey to you the very warm thanks of the Treasury Department, and I know that the work which you have done commands the gratitude of all of your fellow Americans.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

TO Secretary Morgenthau
FROM Joseph J. O'Connell, Jr.

Date
October 12, 1944

For your information

In accordance with your instructions John Sullivan arranged for us to see Ben Cohen at 10 o'clock this morning to discuss the question Judge Rosenman has raised with you regarding giving employees of private employers a couple of hours leave with pay on election day. John was ill this morning and unable to attend the conference so I went alone.

I told Ben that compensation paid employees for a reasonable period on election day during which they would be excused from duty to permit them to vote would clearly be allowed as an item of expense for tax purposes. I also indicated that the Department would not wish to issue any statement or otherwise take the initiative in publicizing this very obvious fact. Ben then wanted to know whether, if an employer wrote to us indicating that he proposed to do the sort of thing above suggested and asked us whether amounts so paid would be deductible for tax purposes, we would give him a ruling to that effect. I said that we would.

Ben seemed satisfied with our talk and told me he would pass it on to Judge Rosenman. There is nothing further we need do until and unless we get a request from an employer for a ruling on the subject.

Joseph J. O'Connell Jr

OFFICE OF
THE SECRETARY OF THE TREASURY

246 ✓

October 12, 1944

MEMORANDUM FOR MR. LATTA:

In accordance with the President's request, we are returning herewith the memorandum which he received from the Budget Director on the creation of a Foreign Financial Policy Board.

H. S. Klotz,
Private Secretary.

THE WHITE HOUSE
WASHINGTON

247

September 28, 1944.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY:

TO READ AND RETURN.

F.D.R.

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

SEP 27 1944

MEMORANDUM FOR THE PRESIDENT

Members of the State Department staff have discussed with Bureau of the Budget staff your inquiry to the Secretary of State, of August 21, asking his reaction to the proposed creation of a Foreign Financial Policy Board.

I, too, have been very much concerned these last months over the lack of policy coordination in the foreign financial field. However, I doubt that the kind of foreign financial board suggested by your memorandum to the Secretary of State is what is needed.

In my view, it is impossible to separate financial from general economic policies. In the general foreign economic field we are faced by three fairly distinct needs:

- (1) There has to be some one place where all aspects of foreign economic relations are subjected to careful study, and where policy recommendations are prepared which have been checked as to consistency with each other and with domestic policy. In this, the Executive Committee on Economic Foreign Policy, created by you on April 5, 1944, has achieved considerable success. Its chief weakness has been the failure of the Treasury Department to use the Committee adequately for the purposes for which you established it.

I recommend that you put your full influence back of the Committee, insisting that it coordinate financial policies with our foreign economic policies, and that all agencies assist to that end.

- (2) There should always be a recognized channel through which the most important issues of foreign economic policy flow to the Cabinet level or directly to you for final decision.

To this end, I recommend that more use be made of the Executive Committee to provide you, and the Cabinet in appropriate cases, with preliminary policy recommendations on such important issues as Lend-Lease, foreign aspects of stockpiling, and those mentioned in your recent memorandum to the Secretary of State.

- (3) There is need for harnessing foreign financial operations of certain agencies to over-all foreign economic policy decisions. I refer to foreign financial activities such as those carried on by the Stabilization Fund, Foreign Funds Control, the Export-Import Bank, the Reconstruction Finance Corporation, Lend-Lease, and agencies concerned with military and liberated areas finance and surplus property disposal. In addition, directives must be prepared for the guidance of American representatives on international bodies such as the International Monetary Fund and the International Bank for Reconstruction and Development.

Not all these questions involving financial operations will profit from reference to a committee which includes, as the Executive Committee does, representatives of the Tariff Commission and other agencies rather far removed from financial transactions. However, a subcommittee of the Executive Committee could be established to make recommendations on financial questions within the framework of general economic policy developed by the Executive Committee, and determined by you, the Secretary of State and the Cabinet.

Accordingly it seems to me that what we need now is not necessarily a general financial policy board. Rather we need better means for coordinating financial operations with economic policy and for getting important policy questions referred upward promptly.

The objective should be to insure teamwork among our economic and financial operating institutions, and for gearing this Government into daily activities of international financial agencies.

If you wish, I shall be glad to work out, with the interested agencies, possibly through the Executive Committee, a plan to meet this situation.


Director

P. S. The attached summaries of the work of the Executive Committee will show you the extensive character of its work and its success in bringing together most of the agencies concerned.

Attachments - 2

251

Original returned to the President 10/12/44

THE WHITE HOUSE
WASHINGTON

October 9, 1944.

MEMORANDUM FOR

HON. HENRY MORGENTHAU, JR.

TO READ AND RETURN FOR MY
FILES.

F.D.R.

Thank you. after reading
Borwais report I would
like to say in the words
of your son Johnny "So What?"
Henry

CONFIDENTIAL

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

4 October 1944

MEMORANDUM FOR THE PRESIDENT

You may be interested in the following extract from a report on the "Capacity and Organization of the European Agricultural Machinery Industry with Special Reference to Germany". This report was prepared by the Research Branch of OSS.

"1. The estimated pre-war annual output of the European agricultural machinery industry, excluding Russia, was \$355,000,000 or about 75 percent of the value output of the United States agricultural machinery industry in 1939. Almost 60 percent of Europe's agricultural machinery output, excluding Russia, was produced in Germany."

"2. About 47 relatively large firms formed the nucleus of the German agricultural machinery industry. There were, however, 274 concerns which were members of the Fachgruppe Landmaschinenbau, the compulsory trade association for the German agricultural machinery industry. The German agricultural machinery concerns were widely dispersed geographically

CONFIDENTIAL

CONFIDENTIAL


and the majority of firms specialized in the production of particular types of agricultural machinery."

"3. The industry in European countries other than Germany and the United Kingdom tended to specialize in the production of the lighter types of agricultural machinery. Sweden, for example, specialized in manufacturing cream separators and dairy equipment."

"4. Except for tractors, Germany was the chief source of supply for agricultural machinery for the importing countries of continental Europe. France, Norway, Holland, Belgium, and Rumania were Germany's chief European customers."

"5. German agricultural machinery manufacturers were unable to organize a strong cartel organization prior to the advent of the Nazi government. By 1936, however, cartel arrangements existed in fourteen of the more important branches of the industry. The state, moreover, conferred broad market-regulating powers upon the Fachgruppe Landmasch
inenbau. Manufacturers, acting through the Fachgruppe, were successful in asserting control over the dealers and distributors of agricultural machinery in Germany."

CONFIDENTIAL


William J. Donovan
Director

10/12/44 -

255

Copies to:

Mr. White
Mr. Pehle
Mr. Gaston

256 ✓

OFFICE OF
THE SECRETARY OF THE TREASURY

October 12, 1944

MEMORANDUM FOR MR. LATTA:

In accordance with the President's
request, I am returning the attached
letter for his files.

H. S. Klotz,
Private Secretary.

257

THE WHITE HOUSE
WASHINGTON

October 2, 1944.

MEMORANDUM FOR
THE SECRETARY OF THE TREASURY

TO READ AND PLEASE RETURN
FOR MY FILES.

F. D. R.

THE WHITE HOUSE
WASHINGTON

October 2, 1944.

MEMORANDUM FOR
THE SECRETARY OF THE TREASURY
TO READ AND PLEASE RETURN
FOR MY FILES.

F. D. R.

12 East 72 St
New York
September 27 1944

Dear Mr President

Post-War Treatment of Germany:

Nothing, it seems to me, ^{could be more appropriate,} at this juncture, of differences of opinion even in your Cabinet on this subject, than the words of my friend Gen J H Morgan, "Deputy Adjutant General formerly G O C British Effectives Sub-Commission of the Disarmament Commission to Germany 1919-1923."

As the military member of the Commission which spent four years in Germany "disarming" Germany, he has frequently related to me his experiences there- when he found it impossible to disarm Germany. He summed it up as follows:

"We did not dismantle 5% of German war-making industries. Had we destroyed them all, we would have left Germany a devastated region."

Permit me to give you Gen Morgan's wording on this subject, delivered in a notable speech to Welsh miners of Rhondda Valley Mch 25, 1941:

"But you will ask me, how we are to ensure our victory?..how we are to win the peace? I will tell you. We must raze to the ground every factory and every workshop in Germany which has been devoted to the manufacture of arms and munitions of war. That, indeed, was what the Treaty of Versailles prescribed. It was what the Military Commission on which I served in Germany was directed by the terms of the Treaty to do."

"When we arrived in Berlin we took a census of all such establishments. They numbered 7,000. Many of them, in fact most of them, had turned over to peace production. The German Government, with great astuteness, seized upon the fact and protested to the British and French Governments that if we closed down, as we were entitled to do, all those 7,000 establishments, German trade and industry would suffer, and Germany would be unable to pay us reparations." She had, as we were to learn later and too late, no intention of paying reparations. But that astute argument prevailed. Our Commission was directed to stay our hand. As a result, not more than twenty of those 7,000 factories were shut down. They were left with every lathe that ever turned a shell."

"Now if we dismiss from our minds, as we shall have to do, any idea of making Germany pay reparations- we need no longer be restrained in disarming Germany by any consideration for German industry, which is only another name for German capitalism, -the most ruthless

capitalists, and the most belligerent, that the world has ever seen. One day I was lunching with the Directors of Krupps.. men all of them multi-millionsaires, with colossal fortunes built up by the manufacture of the most deadly instruments of war.. They were polite to us because we had the power to close down their vast establishments altogether. . I asked one of them what he thought of the League of Nations. He replied,

"I think of it exactly what one of our great German soldiers thought of the Idea of Perpetual Peace. Perpetual peace is a dream and not even a beautiful dream."

Gen Morgan then goes on to quote the late Lord Fletcher Moulton, head of the explosives industry in England during the First World War- and whom I knew, and was his guest, in 1915- as follows:

Gen Morgan continues:

"One industry at least in Germany should be wiped out, for it is the most lethal industry the world has ever known. One day during the Paris Peace Conference when, as A.A.G. of the Military Delegation, I was engaged on the draft disarmament clauses of the Treaty of Versailles, Lord Moulton, one of our greatest authorities on high explosives, came to see me. He came to urge on me that every chemical factory in German was, as he put it, 'a potential arsenal.' So it was, and so it is. Do you know that the deadly constituents of every German bomb dropped on your homes, your hospitals, your churches, and your shelters, is made in the German chemical factories? They are not made in State arsenals. They are made in the factories owned and controlled by the greatest capital "Combine" in the world, the German Chemical Manufacturers' Federation. When we arrived in Germany all these factories had been re-converted to the manufacture of drugs and dyes- it takes only about six weeks for them to turn over from war to peace and peace toward! Therefore we ordered to spike them, and spare them we did.

"This time we shall, if we are wise, raze them to the ground. Germany is no more to be trusted with a chemical industry of her own than with an aviation industry of her own. When the time comes, we must extirpate them both, like a poisonous plant. "

General Morgan is one of England's leading solicitors, and represents the Indian Princes in London.

And the world fondly imagined that Germany was disarmed! But now Allied air forces- almost literally Heaven-sent- have made of Germany the devastated region pictured by- but denied to, Gen Morgan! Moreover, it is highly improbable that America and Britain, in the absence of this air-borne destruction, would ever have devastated an intact, beaten, repentant (?) Germany.

*Truly yours, Sir,
Wade Gance*

October 12, 1944

Dear Mrs. Klotz:

Thank you very much for your note of today sending along the copy of the letter which the Secretary received from Under Secretary Patterson.

Sincerely,

Oscar Lot

Mrs. H. S. Klotz,
Private Secretary to the
Secretary of the Treasury
Treasury Department
Washington, D.C.

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

October 12, 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 4, 1944, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

EMB

FEDERAL RESERVE BANK
OF NEW YORK

October 11, 1944.

CONFIDENTIAL

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

I am enclosing our compilation for the week ended October 4, 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)

Week Ended October 4, 1944

Strictly
Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)										BANK OF FRANCE		
	D E B I T S				C R E D I T S						Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in £ Pounds (d)
	Total Debits	Gov't Expenditures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Gold	Receipts from (Official) (b)	Transfers from Official Australian Account	Other Credits (c)	Net Incr. (+) or Decr. (-) in \$ Funds (d)			
War Years (g)													
First	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	486.2	+ 35.0	866.3 (f)	1,095.3 (f)	+ 299.0
Second	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	703.4	- 13.2	38.9	8.8	- 30.1
Third	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
Fourth	764.0	312.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3
Fifth	1,197.7	300.4	61.4	835.9	1,369.6	-	-	253.0	1,116.6	+ 171.9	-	-	-
<u>1944</u>													
September													
October	151.0	19.9	50.4	80.7	56.5	-	-	1.0	55.5	- 94.5	-	-	-
November													
December													
<u>1945</u>													
January													
February													
March													
April													
May													
June													
July													
August													
<u>Week Ended</u>													
September 13, 1944	6.0	0.6	-	5.4	3.8	-	-	-	3.8	- 2.2	-	-	-
September 20, 1944	65.2	7.9	50.4	6.9	23.4	-	-	-	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 (h)	-	-	1.0	6.9 (h)	- 7.5	-	-	-

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) 354.9 million
 England (since March 12, 1941) 21.9 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.

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

Week Ended October 4, 1944 **Strictly Confidential**

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)								
	DEBITS				CREDITS				Net Incr. (+) or Decr. (-) in \$ Funds	DEBITS				CREDITS			
	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C For Own A/C	For French A/C	Other Credits		Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in \$ Funds	
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	49.8	112.2	17.2	95.0	- 5.0	
Fourth	723.6	-	723.6	958.8	47.1	170.4	-	741.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4	+ 3.4	
Fifth	849.3	1.0	848.3	958.5	38.1	61.4	-	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	1.5	4.3	7.3	-	7.3	+ 1.5	
October																	
November																	
December																	
1945																	
January																	
February																	
March																	
April																	
May																	
June																	
July																	
August																	
Week Ended																	
September 13, 1944	3.2	0.1	3.1	5.3	-	-	-	5.3	+ 2.1	0.3	-	0.3	1.3	-	1.3	+ 1.0	
September 20, 1944	2.4	-	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(e)	-	14.9(e)	16.8(e)	-	-	-	16.8(d)	+ 1.9	3.0	1.0	2.0	0.5	-	0.5	- 2.5	

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 4, 1944) 7.9 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 \$ 6.8 million deposited by War Supplies, Ltd.
 and \$ 9.3 million received from New York accounts of Canadian chartered banks.

CABLE TO AMEMBASSY QUITO, ECUADOR

The following cable has been received from Amembassy Bern:

QUOTE A note with regard to protection of individuals in Germany claiming Ecuadoran Nationality of Federal Political Department was forwarded on May 12 by the Ecuadoran Consulate, we are told by Swiss. Contradictions of such a nature were contained therein that its meaning was difficult for the Swiss to interpret. It is said the Consulate was not able to supply explanatory interpretation of the note and the Consulate concurred with Swiss that in order to avert misconstruction, they should ignore note of May 12. In the meantime, contents of the note were sent by Federal Political Department to Swiss Legation Berlin for informational purposes while waiting for clarification. Ecuadoran Consulate decided to ask Government of Ecuador for such clarification. UNQUOTE

Please endeavor to ensure that clarifying message is sent to Equadorean consulate in Bern consistent with the humanitarian ends sought to be achieved, and advise Department and Board of date and contents of such message.

3:30 p.m.
October 12, 1944

BAkzin:ar 10/11/44

CABLE TO AMBASSADOR WINANT, LONDON, FOR MANN FROM PEHLE

There is presently being cleared with the British the proposal of this Government to make payment in full to the refugees evacuated to the United States and the 550 evacuated from Italy to Palestine for the Italian lire, AM lire, BMA notes and U. S. yellow and blue seal dollars turned in by such refugees to ACC upon leaving Italy. JDC is willing to make the payments in the United States and in Palestine against reimbursement in lire by ACC. Since it appears that the refugees in question turned in their valuta on the assumption that they would be paid in full and in view of delays already involved and numerous complaints, we are urging the aforementioned special treatment for these cases. Please consult with Aarons with a view to expediting clearance of our proposal in London.

THIS IS WRB CABLE TO LONDON NO. 12.

October 12, 1944
2:45 p.m.

Distribution of true
reading only by special
arrangement. (SECRET)

October 12, 1944

8 p.m.

AMEMBASSY

LONDON

8415

The following for Winant and Mann from Pehle is WRB 11.
Please refer to your 8406 of October 6.

The War Refugee Board has made its position in this
matter clear to the State Department. It is understood
that discussions concerning this subject are still continu-
ing between the State Department and other interested agencies
and that no decision has yet been reached.

HULL
(GLW)

WRB:MMVKG
10/12/44

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

Please deliver the following message to Maurice Brener, 19 Rue de Teheran, Paris, from M. A. Leavitt of the American Jewish Joint Distribution Committee:

QUOTE WE RECEIVED INFORMATION FROM SERGEANT BERTRAM SCHWARTZ ASN 32987662 HQ DET LOIRE SECTION CZ ETO STAFF JUDGE ADVOCATE APO 350 POSTMASTER NEW YORK THAT HE AND COLLEAGUES FOUND 150 JEWISH CHILDREN WHO WERE IN HIDING WITH INDIVIDUAL FAMILIES AND FOR WHOM THEY HAVE NOW RENTED CHATEAU FOR THEIR USE. THESE CHILDREN WE UNDERSTAND REQUIRE ALL TYPES OF ASSISTANCE ESPECIALLY CLOTHING. SUGGEST YOU CONTACT BERTRAM SCHWARTZ AND EXTEND ALL POSSIBLE AID UNQUOTE

October 12, 1944
11:00 a.m.

CABLE TO AMERICAN MISSION, PARIS, FROM WAR REFUGEE BOARD

Please deliver the following message to Maurice Brenner, 19 Rue de
Teheran, Paris, from M. A. Leavitt of the American Jewish Joint
Distribution Committee:

QUOTE LEARNED THROUGH CHAPLAIN JUDAH NADICH THAT FELICIE
KON AND THREE CHILDREN FORMER VITTEL INTERNEES CARE OF WILFART
96 AVENUE MOZART PARIS 16 URGENTLY NEED ASSISTANCE. WE AUTHORIZE
YOU GIVE HER NECESSARY ASSISTANCE UNQUOTE

October 12, 1944
11:00 a.m.

DCG
Distribtuion of true
reading only by special
arrangement (SECRET W)

October 12, 1944

6 P.M.

AMFOLAD

CASERTA

238

The cable below for Kirk and Ackermann is WRB 53.

The substance of following message has been sent to Bern as
Department's 3461 of October 7:

QUOTE Information received by Department indicates that
Jews in three concentration camps of Birkenau, Naeuss and Oswiecin
have been ordered to be exterminated. This probably involves some
65,000 Jews.

Please convey to the German Representative at Bern through
any available channels the information that the United States has
been advised of this and also understands that Himmler has per-
sonally authorized this death order which certain other officials
will carry out. There is thus a fixation of direct responsibility
for this proposed crime. Appropriate consequences will follow in
accordance with the policy this Government has declared, and will
attach to all participants, if this proposed crime is carried out.

UNQUOTE

Please make use of whatever channels may be available to you
to convey a similar message to German authorities. You should
add that the warning applies with equal force to crimes committed
at camps other than those specified.

Reports of all developments in this situation, submitted
immediately

-2-#238, October 12, 6 p.m. to Caserta.

immediately after you learn of them, would be appreciated.

HULL
(GLW)

WRB:MMV:KG

10/10/44

SE

CE

RA-670
Distribution of true
reading only by special
arrangement. (SECRET W)

Caserta

Dated October 12, 1944

Rec'd 2:38 p.m.

Secretary of State

Washington

723, October 12, 9 a.m.

FOR WRB FROM KIRK

DEPTEL 218, October 6, WRB 51.

I have requested Ambassador Taylor to bring
this matter to attention of Hungarian authorities
through intercession of Vatican and will cable you when
further information is forthcoming.

Ackermann who left for US yesterday has been in-
formed of foregoing.

KIRK

WMB

CABLE TO AMERICAN DELEGATE, NAPLES, FROM WAR REFUGEE BOARD.

Please deliver the following message to Max Perlman from
Joseph Schwartz of the American Jewish Joint Distribution Committee:

QUOTE YOUR MEMORANDUM SEPTEMBER 6 LIRE 60,000 GRANT FOR
CEMETERY FERRAMONTI CAMP AUTHORIZED. YOU MAY TAKE THIS
AMOUNT OUT OF FUNDS YOUR DISPOSAL UNQUOTE

October 12, 1944
11:00 a.m.

CABLE TO AMERICAN CONSULATE GENERAL, JERUSALEM, FROM WAR REFUGEE BOARD.

Please deliver the following message to Judah Magnes from
Joseph Schwartz of the American Jewish Joint Distribution Committee:

QUOTE YOUR 233. FULLY AGREE THAT IF TEHERAN SUPPLIES
CAN BE SENT TO SOMMERSTEIN IT SHOULD BE DONE BY US AND NOT
(REPEAT NOT) THROUGH JEWISH AGENCY. YOUR ALSO CORRECT IN
STATING THAT UNITED STATES GOVERNMENT PERMISSION WOULD
HAVE TO BE OBTAINED BEFORE THESE GOODS CAN BE TURNED OVER
TO SOMMERSTEIN AND HIS COMMITTEE FOR DISTRIBUTION AND IN
THIS CONNECTION AM TAKING THE MATTER UP AT ONCE WITH COMPETENT
AUTHORITIES AND WILL KEEP YOU ADVISED. YOU REALIZE THAT THIS
IS A VERY COMPLICATED MATTER AT THIS TIME TO WHICH WE HAVE BEEN
GIVING OUR FULL ATTENTION SINCE WE REALIZE THE URGENCY OF GETTING
SUPPLIES TO THAT AREA AT THE EARLIEST POSSIBLE TIME. YOUR 252
RECEIVED AND WE FOLLOWING UP PROBLEM HAVING OUR REPRESENTATIVE
ENTER RUMANIA WE SHALL KEEP YOU FULLY INFORMED UNQUOTE

5:00 p.m.
October 12, 1944

RDrury 10/11/44

RA-911

PLAIN

Lisbon

Dated October 12, 1944

Rec'd 6:22 a.m., 13th

Secretary of State

Washington

3132, October 12, 7 p.m.

FOR LEAVITT FROM PILPEL JDC 89 WRB. 219.

Further our 86, Resnik now holds United Kingdom visa. Our information admission Algiers virtually prohibited because of bubonic plague moreover North African validation and French North African visa normally require weeks.

NORWEB

RR

RS-912

PLAIN

Lisbon

Dated: October 12, 1944

Rec'd. 6:28 a.m. 13th

Secretary of State

Washington

3133, October 12, 7 p.m.

FOR LEAVITT FROM PILPEL JDC 87 WRB 218

Reference our 44 and our regular 114. Please substitute following list which latest information received regarding Rumanian deposits up to May 5, 1944. Dvantman Mordco deposited favor wife Rahill children Nahum and Josef \$10,000 Feldstein Isaac favor wife Maria. 10,000 Filderman Wilhelm favor wife and two sons 13,600. Gold Marcus favor wife and two children 10,000. Cukier Max favor David Kalmus 2443 64 Street, Brooklyn, 35,000. Grad Leon and Michel favor Aurelia Frima Malvine and latter's children 10,000. Gruenberg Nathan 15,000. Heller Eduard 4,000. Jancu Cornel favor wife and two children 2,000. Klipper Nathan 5,000. Mayerson Lazar favor wife Antoinette children Dan and Gabriella Teleman 1,000. Milman Aizig deposited total 10,000 divided favor wife Marie and children Boris and Brana 7,000 and favor Arnold Rachele and Hedwiga Laureanu 3,000 present Marco 10,000. Rosenthal Sigismund favor Gustav Carol and Eugene Telaviv 5,000 Sumer Wolf 5,000 Wechsler Aron favor wife Ety 15,000. Wechsler Levi 25,000 Zimmer Moses 3,840. Please note records now show Adolf Goldstein did not deposit funds prior May 1944, we inquiring further reference Cukier, and Goldstein and will advise. Total number depositors eighteen total dollar amount 189440.

NORWEB

RR

AIRGRAM TO MINISTER JOHNSON AT STOCKHOLM AND OLSEN FROM WAR REFUGEE BOARD

Please refer to Department's telegram No. 1501 of July 28,
WRB's 58.

The Department of State has confirmed to the War Refugee Board that American immigration visas were authorized on November 7, 1941 for Dora Zsupnik and her six minor children, to wit: Herman, Mozes, Jozsef, Judit, Eva, and Abraham. The last known address of the Zsupniks is Zuny, 9, Kassa, Hungary. They are the wife and children respectively of Israel Zupnik, who resides in New York City.

THIS IS WRB STOCKHOLM CABLE NO. 106

9:05 a.m.
October 12, 1944

LSLesser:tmh 10-10-44

AIRGRAM TO MINISTER HARRISON AT BERN AND MCCLELLAND FROM WAR REFUGEE BOARD

Please refer to Department's telegram No. 2605 of July 28,
WRB's 94.

The Department of State has confirmed to the War Refugee Board that American immigration visas were authorized on November 7, 1941 for Dora Zsupnik and her six minor children, to wit: Herman, Mozes, Jossef, Judit, Eva, and Abraham. The last known address of the Zsupniks is Zuny, 9, Kassa, Hungary. They are the wife and children respectively of Israel Zupnik, who resides in New York City.

THIS IS WRB BERN CABLE NO. 211

9:05 a.m.
October 12, 1944

LSLesser:tmh 10-10-44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: October 12, 1944
NUMBER: 6793

CONFIDENTIAL

In a note dated the eleventh of October, the Swiss Foreign Office was requested by the Legation to convey to the appropriate officials of Hungary the message contained in WRB 198 (Department's cable of October 6, No. 3435). Arrangements to include this message in clandestine press for Hungary are being made by McClelland.

HARRISON

DCR:FDB:FB 10/13/44

DMH-611

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

Bern

Dated October 12, 1944

Rec'd 11:01 a.m.

Secretary of State

Washington

6797, October 12, 12 noon.

FOR WRB FROM MCCLELLAND.

For Leland Rex Robinson from A. Freudenberg:

"Madeleine Barot Cimade reported personally present situation. Courageous refugee work during recent months gives Cimade strong position French authorities and resistance group. Formerly assisted refugees still need help.

Two. Cimade, Host, Elsrund and others needed. Government plans sift most categories foreigners in transit camps which means several social workers. Cimade continues pioneer work organizing suggesting help for most needy dispersed French from war regions. Whole Cimade relief fine witness gospel. French friends most grateful your financing increasing expenditures. Spent for France last nine months 143,000 Swiss francs and important remittances in preparation. Sent 48,000 francs Hungarian

church

-2- #6797, October 12, 12 noon, from Bern

church committee for assistance to Protestant non-Aryans and Jews. Work well organized strongly supported by Hungarian reformed Lutheran Churches. Protestations during late spring saved tens thousands Budapest Jews. Hungarian police after terrible cruelties until July now more humane but material distress great. Switzerland Refugee Labor Service started construction home mentioned cable April. Subsidies to Swiss refugee committees for urgent needs this year 88,590 francs; for individual refugees 33,000.

Shanghai Refugee Service running well financed by Swiss-Swedish contributions. Just received your two remittances totaling 40,516 francs. Thankful your telegram offering Italian worker. Must consider question with friends. Shall answer shortly."

HARRISON

MEV

CP-588

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

Bern

Dated October 12, 1944

Rec'd 10:25 a.m.

Secretary of State

Washington

6799, October 12, 2 p.m.

FOR WRB FROM MCCLELLAND

For Weissman, self - help from Comite Intellectual

Refugee Geneva:

"Received message October 5 through WRB, American Legation. Thanks for \$2,000 paid out October 1. Among 318 Hungarian Jews who arrived in Switzerland from camp of Bergen - Belsen there are 24 intellectuals and their families. Desire liberate 10 persons from among latter for which \$2,000 Swiss francs monthly will be needed. Would appreciate your agreement this expenditure." 2030

HARRISON

JT

CABLE TO MINISTER HARRISON AND MCCLELLAND, BERN, SWITZERLAND

1. With reference to Department's 3120 of September 9, 3255 of September 21 and earlier communications regarding admission of Jewish children from Hungary, Paraguayan Minister of Education by communication of August 30 agreed in principle to extend to children from Hungary previous Paraguayan consent to give asylum to a number of refugee children from France to be determined later, subject to certain economic conditions.

On September 14, Ecuadorean ministry of foreign affairs informed Amembassy that "it is believed that Ecuador would be able to receive up to three hundred children provided that WRB furnished the funds necessary for the case."

By note of August 31, Dominican Foreign Minister informed Amembassy that since it made "no distinction in the nationality of the children which it would receive there is no inconvenience that they should also proceed from Hungary." This applies to a previous Dominican agreement to accept between 1000 and 2000 refugee children.

2. Substance of your 6469 of September 29 is being communicated to Amembassy Quito for appropriate action. In the meantime, the following Ecuadorean aide-memoire to Amembassy of August 24 has been received:

QUOTE The Ministry for Foreign Affairs, having been informed of the persecution which at present is taking place in Hungary against persons of a certain race, among whom are many who possess passports issued in the names of American Republics, has addressed its diplomatic representative in Switzerland to arrange for the Federal Government as representative of the interests of Ecuador in Axis nations or satellites thereof to notify the Government of Hungary that the Government of Ecuador recognizes the validity of documents or passports issued in its name and that accordingly it is expected that the bearers of such papers will be accorded the rights, privileges and immunities which Ecuadorean nationals enjoy. Likewise it has been requested to state that the United States is authorized to negotiate the exchange of such persons.

The Ecuadorean Ministry for Foreign Affairs, in replying to the aide memoire of the Embassy of the United States dated August 19, reiterates its intention of not declaring invalid passports granted illegally while they may serve to protect the life and property of their holders but (reiterates) that these persons are not thereby authorized to enter Ecuador. UNQUOTE

Pending further action by Ecuador, please try to make use of above to ensure prompt action by Ecuadorean consulate and Swiss government in defense of holders of Ecuadorean documents.

3. With reference to last paragraph of your 6469 of September 29 it is difficult to perceive why Swiss authorities should not have treated Ecuadorean request regarding Hungary as implying a request to represent Ecuador in Hungary to the extent stated and have adopted procedure analogous to that described in your 6219 of September 20. Department's 2490 of July 21 item six applies to this case.

4. By note of August 14 Haitian Foreign Ministry informed Amembassy that the following note has been sent on August 11 to Haitian legation Bern:

QUOTE Referring to cablegram of the 31st of July please ask Federal Government to communicate the following declaration to the German Government: 'Having learned that the following persons, namely, Abraham Berger, Eugenia Berger, Leon Muszynski and Lili Muszynski, holders of passports delivered in the name of Haiti, have been removed by the German authorities from the civilian internment camp at Vittel to an unknown destination, the Haitian Government protests energetically against the treatment inflicted upon the above-mentioned persons. STOP. The Haitian Government urgently asks for information concerning their address and their health and expects their immediate transfer to a civilian internment camp where they would be easily available for exchange and where, in awaiting this exchange, they will be placed under the supervision of the Protecting Power and the International Red Cross. STOP. The Haitian Government also declares that it will not permit that Germany place in doubt the validity of any documents delivered in its name and that it expects that the German Government will accord the holders of these documents the same treatment which the German Government expects to obtain for its nationals in the Western Hemisphere. STOP. Finally, the Haitian Government reserves the right to take action against any ill treatment which might be inflicted upon the above-mentioned persons and upon all persons who may be in the same position. UNQUOTE

5. With reference to your 5281 of August 14, the following note from Cuban Ministry of State was received by Amembassy on September 19:

QUOTE Although the data on Gelernter are not sufficient to enable a quick search, since it is a humanitarian matter the Government of Cuba desires to avail itself of the good offices of the Government of the United States of America to the end that all possible protection be given to Gelernter through the means which the North American Government uses in similar cases.

- 3 -

The Ministry will continue the investigation started in the Department of Citizenship and Immigration in Order to verify the exactness of the information and the Embassy will be duly informed. UNQUOTE

Please take appropriate action.

6. With reference to your 6524 of September 30, please express to Swiss authorities this Government's appreciation of their action in conveying to Hungarian officials the messages referred to therein.

THIS IS WRB CABLE TO BERN NO. 213

3:50 p.m.
October 12, 1944

BAkzin:ar 10/11/44

MF-217

Chungking via Navy

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

Dated October 12, 1944

Rec'd 9:20 a.m., 11th

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

Secretary of State

Washington

1669, October 12, 8 a.m.

FOR SECRETARY OF TREASURY FROM FRIEDMAN:

DEPARTMENT OF STATE
DIVISION OF
OCT 12 1944
COMMUNICATIONS

(One) Increases in note circulation in August and September were CN dollars 8,584 million and 12,535 million, respectively.

(Two) Cash disbursements by Central Government including advances to United States Army finance officers and expenditures by Chinese Government agencies for our account amounted to about CN dollars 14 billion per month in July, August and September. Does not include disbursements in kind.

(Three) For October United States Army here drew CN 2 billion of no - rate CN from Central Government; 1 billion allotted to SOS in Kunming; 100 million to Chengtu; remainder to be kept in Chungking. Expenses of military mission in Yenán being finances with no - rate CN; S(*) 00000 made in July.

(Four) For October

-2-#1669, October 12, 8 a.m., from Chungking via Navy

(Four) For October United States Army here requested Chinese Government agencies to spend CN dollars 686 million for our account, of which all but CN dollars 50 million on airfield construction and maintenance; 439 million in Kunming area, 177 million in Chengtu area, 70 million in Kweilin area. Large portion of Kunming area expenditures said to be for new construction. United States Army says Chinese agencies have balance of CN dollars 106 million on hand.

GAUSS

(*) apparent omission. Verification requested.

JT

CONFIDENTIAL

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

CORRECTION

MB-217

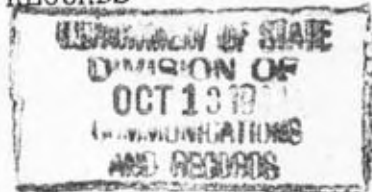
October 12, 1944

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

In cable from Chungking, numbered 1669, October 12,
8 a.m. on page 1, line 17, delete "S(*) 00000" insert
"still using allotment of 100,000" so as to read "rate
CN; still using allotment of 100,000 made in July."

DIVISION OF COMMUNICATION AND RECORDS

JMB



NOT TO BE RE-TRANSMITTEDCOPY NO. 11SECRETOPTEL No. 332

Information received up to 10 a.m., 12th October, 1944.

1. NAVAL

11th. Bad weather interfered with cross Channel sailings. MTB's engaged an enemy convoy of 4 trawlers off The Hook. 1 trawler was sunk and another damaged by gunfire. In the Aegean on 7th one of H.M. Cruisers and one of H.M. Destroyers sank a 1000 ton ship, a large caique and a tank landing craft. Carrier-borne aircraft have continued operations causing wide-spread damage to sea and railway communications and destroyed an ammunition train on 11th.

In Adriatic on 8th and 9th H.M. Destroyers bombarded Albanian Coast and on 10th captured 2 motor launches. During same period U.S. Destroyers carried out bombardments off Ventimiglia.

2. MILITARY

WESTERN EUROPE. Aachen area surrounded except for small gap. Canadians have closed the last exit from Beveland Peninsula.

ITALY. German resistance across the Fiumicino seems to be slackening. Our forces established 2 bridgeheads N.W. of Savignano without opposition and south of the town build a bridge which tanks and infantry have crossed. Further S.W. Longiano occupied and our troops continuing advance westwards reported no contact.

RUSSIA. Russians have continued their advance north and S.E. of Memel. Capture of Libau reported yesterday, incorrect. In Transylvania Russians have forced the Tisza and captured Szeged, while further east they have occupied Cluj.

3. AIR OPERATIONS

WESTERN FRONT. 11th. 256 Bomber Command aircraft (1 missing) dropped 1098 tons on gun emplacements Flushing and coastal battery south of Flushing. Considerable cloud but results believed satisfactory; also 381 tons on sea wall Walchen. Results believed good. Subsequent reconnaissance showed breach of about 800 yards, but no flooding at time of photograph.

130 Fortresses (5 missing) dropped 189 tons on Coblenz railway centre and 151 on Wesseling synthetic oil plant near Cologne.

809 fighters and fighter bombers attacked strong points, etc., Aachen area, dropping 220 tons. 429 others attacked villages and transport Breskens and Arnhem areas, and 169 more fighters provided cover over the battle area. German casualties 1,0,1. Ours - 5 fighters missing.

11th/12th. 57 Mosquitoes despatched, including 45 (1 missing) to Berlin.

MEDITERRANEAN. 10th. Bad weather continued but 83 light and fighter bombers and fighters attacked communications and gun positions Italian battle area and 45 others (2 missing) attacked objectives Yugoslavia.

4. HOME SECURITY

11th/12th. 9 flying bombs plotted.