

DIARY

Book 690

January 4, 1944

- A -

	Book	Page
Alien Property Custodian		
Chase National Bank: Barth, formerly head of Foreign Exchange, may be involved in case now before Department of Justice; Crowley wants to ask HMJr whether or not he should drop Barth - 1/4/44.....	690	8,11
Argentina		
See Foreign Funds Control		

- B -

Barth, Mr.		
See Alien Property Custodian: Chase National Bank		
Bolivia		
See Foreign Funds Control		

- C -

Chase National Bank		
See Alien Property Custodian		
Cincinnati, Ohio		
See Financing, Government: War Savings Bonds (4th War Loan Drive)		
Consumer Office in the Government		
See Elliott, Harriet		
Cost of Living		
"The Egg Situation" - Haas memorandum - 1/4/44.....		237

- D -

Deferments, Military		
Heller, Walter		
HMJr-Blough conversation - 1/4/44.....		69
HMJr-Thompson " " .....		104
Deferment granted - 1/10/44: See Book 692, page 305		
Doyle, Mrs. Henry Grattan		
See Employee Relations, Treasury		
Dudley, Sergeant Paul		
See Financing, Government: War Savings Bonds		

- E -

Eggs		
See Cost of Living		
Elliott, Harriet		
Memorandum on Consumer Office in the Government - 1/4/44....		149,151
a) Consumer Report.....		153

- E - (Continued)

	Book	Page
Employee Relations, Treasury		
Doyle, Mrs. Henry Grattan: Day care service for children of working mothers - memorandum on - 1/4/44.....	690	146

- F -

Financing, Government		
Bell memorandum on Treasury bills, December 16-January 6....		145
War Savings Bonds		
Dudley, Sergeant Paul: Assents to temporary assignment - 1/4/44.....		3
a) Colonel O'Donnell-HMJr conversation - 1/11/44: See Book 693, pages 12,14		
4th War Loan Drive: Cincinnati opening by HMJr discussed in State Chairman Trounstine's letter - 1/4/44.....		229
Foreign Funds Control		
Publicity discussed in Smith memorandum - 1/4/44.....		243
Bolivian-Argentine transactions reported in Paul memorandum - 1/4/44.....		244
(See also Book 692, page 99 - 1/7/44)		
Bolivian-Argentine transactions discussed by HMJr and Pehle - 1/8/44: Book 692, page 194		
Bolivian-Argentine transactions reported by Paul - 1/12/44: Book 693, page 135		
Argentine-Bolivian relationship discussed by Hull - 1/12/44: Book 693, page 98		

- G -

Georgia  
See Liquor

- H -

Hawaii		
\$10,000 contribution from Samoan War Relief Committee of Hawaii: Distribution among Army and Navy Relief Funds, etc.. discussed in correspondence from the Governor, FDR, HMJr, etc. - 1/4/44.....		245
Heller, Walter		
See Deferments, Military		

- I -

Latin America		
Argentina: See Foreign Funds Control		
Bolivia: See Foreign Funds Control		
Legislative Program, Treasury		
Paul memorandum giving resumé at end of 1st Session, 78th Congress - 1/4/44.....		132

- L - (Continued)

	Book	Page
Lend-Lease		
Weekly report - 1/4/44.....	690	253
(See also Book <u>693</u> , page 44 - 1/11/44)		
United Kingdom: Dollar Balances		
FDR memorandum: Conference on; present: HMJr, Crowley, Currie, Cox, and White - 1/4/44.....		106
a) HMJr-Grace Tully conversation.....		108,117
b) Actual memorandum.....		125
c) Hull memorandum.....		128
FDR gives HMJr and Crowley 30 days to get together - 1/5/44: See Book <u>691</u> , pages 113,132		
a) Crowley-HMJr conversation: Book <u>691</u> , page 129		
b) Crowley-HMJr-Currie-Cox-Coe-White conference - 1/6/44: Book <u>691</u> , page 185		
1) Acheson-HMJr conversation: Book <u>691</u> , pages 201,211		
Conference in Hull's office: present: HMJr, White, Hull, Acheson, Crowley, Cox, Currie, Lord Halifax, Ben Smith, and Waley - 1/7/44: Book <u>692</u> , page 2		
a) Acheson's statement that he had approved program from point of view of political feasibility of including indicated items in Lend-Lease shipments rather than from point of view of British gold and dollar position discussed		
1) Acheson's memorandum on conference - 1/10/44: Book <u>692</u> , page 296		
b) Conference reported to Winant - 1/11/44: Book <u>693</u> , page 61		
HMJr's letter to Chancellor of Exchequer - 1/7/44: Book <u>692</u> , page 53		
Liquor		
Georgia		
Hannegan second memorandum - 1/4/44.....		235
Hannegan-HMJr conversation - 1/5/44: See Book <u>691</u> , page 133		
" further memorandum - 1/13/44: Book <u>693</u> , page 262		

- O -

Ohio, Cincinnati		
See Financing, Government: War Savings Bonds (4th War Loan Drive)		

- R -

Refugees (Jewish)		
Riegner, Gerhart: Biographical sketch - 1/4/44.....		38
Revenue Revision		
Tax Simplification: Conference; present: HMJr, Gaston, Smith, and Blough - 1/4/44.....		61
a) Blough memorandum.....		73
b) Paul memorandum.....		79

- R - (Continued)

Book 690

Riegner, Gerhart  
See Refugees (Jewish)

- T -

Taxation

See Revenue Revision

Treasury Employee Relations

See Employee Relations, Treasury

Treasury Legislative Program

See Legislative Program, Treasury

Trounstine, Phil J.

See Financing, Government: War Savings Bonds  
(4th War Loan Drive)

- U -

United Kingdom  
See Lend-Lease

- W -

War Savings Bonds  
See Financing, Government

January 4, 1944

I spoke to Mr. Renchard at 9:10 this morning and told him that I didn't know whether Mr. Hull was familiar with the fact that we were about to buy \$75 million worth of wheat for the Army to send to Italy. It seems to me that when Mr. Hull is trying to get the Argentinians to do something, that this is about the poorest way to do it, and there must be some other place to get the wheat, like Canada. And that the War Food Administration had been approached and had not been willing to cooperate. He agreed with me and I said, "Mr. Hull sees Mr. Stimson this morning," and he said, "Yes." And I said, "After Mr. Hull has thought about it, would he mind letting me know what he was going to do with it?"

cc-Mr. Harry White

January 4, 1944.  
10:00 a.m.

GROUP

Present: Mr. Bell  
Mr. Blough  
Mr. Gaston  
Mr. Smith  
Mr. Thompson  
Mr. Haas  
Mr. White  
Mr. Paul  
Mr. Sullivan  
Mrs. Klotz

H.M.JR: (To Smith) Did I tell you about seeing Mrs. Morgenthau this afternoon about that New York thing?

MR. SMITH: No, you didn't.

H.M.JR: Will you contact her?

MR. SMITH: She will be in here?

H.M.JR: No, at home.

MR. SMITH: Any particular time to call?

H.M.JR: I think the best time will be around a quarter of one.

Now, how will Smith recognize your marks on that?

MR. GASTON: He can't very well, unless I show them to him.

H.M.JR: Well, the article will be in here at eleven. I have not yet read it all.

MR. GASTON: Any time Fred has time I will go over the things I noticed with him.

- 2 -

MR. THOMPSON: I just had a telephone call from the Adjutant General's office. They have cleared the Paul Dudley assignment until February 15.

H.M.JR: They insisted I was the only one that could do it. I insisted that you could.

MR. THOMPSON: The difficulty before was that Paul Dudley himself had indicated that he would not be willing to accept such an assignment. They wouldn't approve it unless he would say that he was willing. So they called him on the phone last night. He said yes. We tipped Ted off he was to say yes.

H.M.JR: The Army Air Corps at Yale University had a group of scenario writers. You figure that one up.

MR. SMITH: The Army Air Force has a radio production unit.

H.M.JR: And among them somebody discovered a very brilliant young man. We are borrowing him for a month. That is nice work. How old is he?

MR. SMITH: I don't know. He is awfully young looking. He doesn't look as though he is more than twenty-two or twenty-three at the outside.

H.M.JR: Why do they have him at Yale University?

MR. SMITH: They have this whole radio production group stationed at Yale.

MR. PAUL: They have taken over the whole Law School building, practically.

MR. THOMPSON: He is assigned to a Texas contingent.

MR. SMITH: He belongs to the Air Force Training Command end of the Army Air Force's radio production group.

- 3 -

H.M.JR: They have boys doing things like that, and then they take married men, thirty-five, thirty-six, thirty-seven - one, two, or three children. I think it is terrible.

MR. THOMPSON: It surely is.

H.M.JR: What else?

MR. THOMPSON: That is all, I think.

H.M.JR: You haven't had a deferment in ten days.

MR. THOMPSON: I was going to have a meeting with Mr. Gaston today. We will probably want to see you today or tomorrow. We have about twelve cases.

H.M.JR: I read Jerry Klutz yesterday on "New Policies."

MR. THOMPSON: Yes, they change every ten minutes.

H.M.JR: Are we up with them?

MR. THOMPSON: Yes, but they have given us until January 15 to get in all the deferment requests for pre-Pearl Harbor fathers. It is pretty difficult for the field force to do that. But the present policy is that with cases of pre-Pearl Harbor fathers, we should ask local boards for sixty-day deferments and, at the same time, ask them to give their approval of such deferment. If they approve, then they will extend them to six months. If they disapprove, they are supposed to ask the local boards to cancel their requests.

We will probably have a dozen cases today or tomorrow.

MR. BELL: I have nothing.

H.M.JR: How much money do you have in the bank.

MR. BELL: About ten billion or over.

- 4 -

H.M.JR: The taxes came in about all right?

MR. BELL: Seventy million above the estimate. We got about four hundred million dollars of repayment on contracts; two hundred million dollars the last three days of December. Very good.

H.M.JR: Mr. Blough, I will excuse you. When are you going to be ready to sit down with me and tell me what, if anything, I can say publicly? I would like to say something pretty soon.

MR. BLOUGH: I had hoped to have that yesterday. It proved to be more complicated than I thought. But I think at noon today we will have something.

H.M.JR: How long do you think you and Childs will take?

MR. GASTON: I don't think it will take more than five or ten minutes.

H.M.JR: How about fifteen?

MR. BLOUGH: Excellent.

H.M.JR: Will you attend, Mr. Smith?

MR. SMITH: I should be glad to.

H.M.JR: All right.

MR. BLOUGH: Well, I don't need to leave until ten-twenty. I will stay until then if I may, sir.

MR. WHITE: The letter that you received from Somervell raised the question, in light of the information you got yesterday, do we still sit tight?

H.M.JR: I would like very much to have the letter. I will read it.

- 5 -

MR. WHITE: There is nothing in it that we haven't got from other sources.

H.M.JR: Strictly in the room, I got quite a kick - I had to laugh. The President was asked for a loan for Chiang Kai-shek. He was going to answer. He asked me for a memorandum. I wrote him this memorandum and he kind of forgot about it. I reminded him. It starts out, "My dear Chiang Kai-shek and Madame: I have had the flu and this is my first chance to wish you a very Happy New Year. The following is a memorandum from the Secretary of the Treasury, I quote:" Then he ends quotes and says, "Mrs. Roosevelt joins me again in wishing you a Victorious New Year."

MR. WHITE: I think the point is lost unless they know what is in the memorandum.

MR. SULLIVAN: Wasn't anything they wanted to hear, was it?

H.M.JR: Exactly. But I loved it; he started out this very personal note, then comes this very stiff Treasury note of three pages, and then he ends up, "Mrs. Roosevelt and I hope that you and Mrs." and so forth and so on - "Franklin D. Roosevelt."

I am afraid, Harry, that is another country we have to cross off our list.

MR. WHITE: It is all right. It came right after Christmas. You know I got a little gift from K'ung.

H.M.JR: I got a little tea, too - in a tin can.

MR. WHITE: No, some vase. It is a very nice vase. It doesn't fit our house at all. We need a nice house to go with it.

H.M.JR: Less than fifteen dollars, it is a vase.

- 6 -

MRS. KLOTZ: This is a "vauze."

MR. WHITE: No, it is a vase as long as you are born on the other side of the Tracks.

H.M.JR: I have a "vauze" which I haven't seen yet, plus a pound of tea.

MR. WHITE: As I say, maybe the house is coming next time.

H.M.JR: What about Crowley? I want to do business with him.

MR. WHITE: This last sentence may be enough. It is not what Hull has in mind, of course. (Referring to Mr. White's draft of memorandum to the President.)

H.M.JR: The last sentence?

MR. WHITE: Just the last sentence on the third page. It is putting it as innocuously as possible. We can high-light it more if you like.

H.M.JR: No, I would like to say, "We will in the future as we have in the past."

MR. WHITE: Well, of course--

H.M.JR: "In the future," or you can say--

MR. WHITE: It is the Lend-Lease people - that is why I don't--

H.M.JR: Well, put it this way: "The policy in the past has been to discuss with the British in advance before we discontinue."

MR. WHITE: "And this policy will be continued."

H.M.JR: Do you mind?

- 7 -

MR. WHITE: That, of course, raises a different question from the one Hull has raised.

H.M.JR: I know, but it takes the starch out of it.

MR. WHITE: Quite right. Now, there were two little things - Crowley said he would like to see you today on two little things. He needs a new Press Relations man.

MR. SMITH: I will take care of that.

H.M.JR: Hello, goat.

MR. SMITH: My wife says this is going to help my career.

H.M.JR: In this article - I didn't read it - Fred Smith attends my press conference; he is to me as a goat is to a race horse. They always have a goat in all racing stables. It keeps a horse quiet.

MR. HAAS: I never heard that.

H.M.JR: Fred, hello. (The Secretary holds his nose.)  
(Laughter)

MR. GASTON: Did you ever hear of "getting a man's goat," Harry?

MR. WHITE: Yes.

MR. GASTON: That originates from the fact that it used to be a custom to steal the goat out of the nervous horse's stable the night before the race, and that would upset the horse so that he couldn't run properly the next day. That was "getting his goat."

MR. SMITH: I have got something to sell the Republicans.

- 8 -

MR. WHITE: I thought it had a biblical origin, that you took a goat and piled all the sins of the community on its back.

MR. GASTON: No relation to that.

MRS. KLOTZ: Makes a good story, really.

MR. WHITE: I don't quite yet get Fred's role. Is it that he smells, or what? I am a little bit thick.

MR. SMITH: You certainly are! For once we are agreed.

MR. WHITE: But my cold is gone.

H.M.JR: It is a lovely article.

MRS. KLOTZ: I gather!

MR. WHITE: Crowley had two things: One, they had employed a Mr. Barth, who was formerly head of the Foreign Exchange in the Chase National Bank; the Legal Division here and John Pehle's division had dug up a case in which a certain Anton Smit was selling diamonds to the Germans and Japs under an American name, and so forth, and the Chase National Bank was tied up in it in that they had approved the man's account.

H.M.JR: Is that another Chase Bank or the old Chase Bank? We had a case against the Chase Bank.

MR. WHITE: I think this is the same case, because it is in the hands of the Department of Justice. Crowley is raising this question. Since Barth is involved to the extent that he will be called as a witness in any case - and our boys think there was even a little more involvement than that, although we haven't got the final word - Crowley would like to know whether you don't think he ought to let Barth go. I don't know why he is raising that question with you.

- 9 -

The second thing he wants to talk to you about is on the foreign exchange dealings which they have been having. He thinks it would be helpful if I were to join their USCC Committee and be present on their foreign exchange - either I or somebody I could send, so whatever they did in the foreign exchange field would have the approval of the Treasury that way, I gather.

I may be wrong, he didn't quite like the idea of a directive which we have ready, but maybe he read into the directive - into the idea - much more than you intended. I may be wrong. He said he would like to see you about those two things. He may have something else in mind. I don't know. He said he would like to see you today for a few minutes.

Do you want to set aside some time today or tomorrow on that Russian thing?

H.M.JR: Yes, I do - tomorrow. I will give you three o'clock. Is that all right with you?

MR. WHITE: Could I check? I have a large group coming tomorrow. I am not sure whether it is three or two. I will check up the moment I go back.

H.M.JR: We will find out. (The Secretary asks Mr. Fitzgerald to find out whether Mr. White is free at three o'clock tomorrow.)

One thing - I got a laugh - this is all very much here in the room - Hopkins is to go abroad, evidently to London, to head up this whole inter-Allied thing. There is a story in the paper. But we recommended a Chief Financial Advisor to the Army, one of Mr. Roosevelt's assistants by the name of Mr. Lauch Currie. Stimson sent Mr. McCloy over yesterday to say that he vehemently objected to Mr. Lauch Currie - vehemently - and was sore as a boil that I consulted the President.

(The Secretary held a telephone conversation with Mr. Leo Crowley.)

January 4, 1944  
10:17 a.m.

HMJr: Hello.

Leo  
Crowley: Hello. How are you?

HMJr: Fine.

C: That's good.

HMJr: Leo, they tell me -- Harry tells me you've got a couple of things you want to see me about.

C: Yeah.

HMJr: And I'd like to see you because I'd like to finish this memorandum to the President today, if possible.

C: Fine.

HMJr: Are you busy around four?

C: No, I'd be glad to come over at four o'clock.

HMJr: Will you bring some of your help with you?

C: Well, I wonder this: why do we fiddle around any more with help? Why don't we just agree, the two of us, what we want and go ahead and do it? I'll bring them if you want me to.

HMJr: I don't care but I would like Harry present.

C: Well, I'll ask Oscar and Lauch if they want to come, but so far as I'm concerned the memorandum that Harry had the other day is agreeable to me.

HMJr: Well, there's just this little change at the end in which it -- Harry gave it to me -- he'll get it to you before you come over.

C: Fine. I'll bring them with me, though. But I'd like to get it straightened up, too, because I don't think we ought to let this thing drag.

HMJr: Right.

C: Did Harry talk to you about the other thing?

HMJr: Yes. I'll be prepared.

C: Well, I'd like to come in a little bit early alone.

HMJr: All right.

C: And talk to you alone.

HMJr: Well, come at four and let the other boys....

C: Come about ten minutes past?

HMJr: That's all right.

C: Fine.

HMJr: Thank you.

- 10 -

MR. WHITE: Apparently these two little things, then, were not what he had in mind.

H.M.JR: All right, anyway - to get back - so I said, "Well, after all, you can tell Mr. Stimson that if I want to take one of Mr. Roosevelt's assistants, it is just a matter of courtesy that I consult Mr. Roosevelt before I recommend his assistant for a job."

"Well, he isn't one of his assistants."

"Oh, yes," I said. Then I said, "What is the matter - is he too close to Mr. Roosevelt?"

Evidently they have been checking up somewhere. They gave him the most terrible reputation. "All I can say is, any time Lauch Currie wants to come to work in the Treasury, he is welcome," I said.

It is an astonishing performance.

MR. WHITE: Randolph was just telling me something I didn't know about. He said some argument--

MR. PAUL: I can't think of the name of that company, but he sent a report over here involving a man named Cohen in its manipulations.

MR. SULLIVAN: Empire Ordnance.

MR. PAUL: I sent it over to the Bureau to see what tax cases were involved. He had a conference with Amberg.

H.M.JR: Of the War Department?

MR. PAUL: Yes. And somehow this firm - what is the name of this Gravath firm? McCloy was a member of that firm before he came down here. Somehow they were mixed up in that Empire Ordnance - got some fees out of them.

(Mr. Blough left the conference.)

- 11 -

MR. SULLIVAN: So was the New York Congressman.

H.M.JR: Which one is that?

MR. PAUL: They had a conference. I think that may be part of the War Department's objection to Currie.

MR. WHITE: How?

MR. PAUL: He was the one who organized the whole report. He had a fellow in SEC, now with the Naval Affairs Committee, to do the investigating. Let it go.

H.M.JR: Harry, this is an impertinent question, but why was Lauch in that at all?

MR. WHITE: There were a number of things which Lauch used to do, none of which seemed terribly important, but many of them led to things of this character and others. He had a number of dealings with the War Department, and they were always following up something that looked as though further investigation would be fruitful. And I remember many remarks that he has made to me in the past that they resent very much what they call his "hosiness."

Now, whether he was justified in going in or not, I don't know.

H.M.JR: I don't think it is any secret that for a long time Lauch had no assignment and he made work for himself. He took on the Chinese thing and the Canadian thing on his own. He made work for himself. I don't blame him. He is an energetic fellow, and he is interested.

(Mr. Fitzgerald reported that Mr. White has a two-thirty meeting.)

MR. WHITE: Free labor groups are sending groups to discuss both the bank and the fund. It will last about an hour.

- 12 -

H.M.JR: Supposing I say three-thirty?

MR. WHITE: All right.

When you say Lauch made work, I would like to have it corrected; he didn't make work in the sense just to make work; it wasn't WPA work. I mean, he looked for things to do.

H.M.JR: I will state it all over again. He was there, and like a lot of these assistants to the President, they have no assignments, and he was interested so much in the war that he wanted to keep busy.

MR. WHITE: He wasn't making work in the sense of making unimportant work for himself.

MRS. KLOTZ: The Chinese weren't unimportant.

H.M.JR: The Chinese and the Canadian thing--he got things to do for himself.

MR. WHITE: That is right.

H.M.JR: No, listen, I defended <sup>Currie</sup> White to <sup>White</sup> Currie yesterday.

MR. WHITE: Yes, sir.

H.M.JR: I mean, I certainly came to his defense, didn't I?

MR. WHITE: Yes, but I didn't want a misleading impression, which I know you didn't mean.

H.M.JR: All right?

MR. WHITE: Yes, sir.

MR. PAUL: I have nothing.

MR. HAAS: I have nothing.

- 13 -

H.M.JR: You and I are the only healthy fellows around here, aren't we?

MR. SULLIVAN: What is the matter?

H.M.JR: George and I are the only healthy ones around here.

MR. SULLIVAN: I haven't any temperature.

You used to have a representative on the Army-Navy Munitions Board, Harry Collins. Now they want another Treasury representative, and I suggested Cliff Mack to you the other day, and then I think the telephone rang, or something. You didn't answer it.

H.M.JR: The thing that bothers me is, with all these committee meetings nobody has any time to work except me.

MR. SULLIVAN: Well, I don't think they will meet very often.

H.M.JR: All right. Now let me just take a minute. I told you to read what I gave you yesterday. I should have had you (Thompson) here yesterday, but, I am sorry, I forgot about you. You have got to get hold of Lynch and all the rest of that stuff and get it straightened out. All these things which I mentioned yesterday should clear through your office in writing so you have a record. You pick up odds and ends, don't you?

MR. THOMPSON: Yes, sir.

H.M.JR: I didn't know what I was getting myself into yesterday.

MR. THOMPSON: Yes, I will take care of it.

MR. SULLIVAN: After I left you, Cliff and I went to see Fred on these original programs, and Fred immediately arranged for a fellow over in Procurement, to get hold of

- 14 -

him, and they are working up that publicity so the day after the President signs this Executive Order we will be able to issue those right off the bat.

On the Bowman complaint there were two facilities in New Hampshire and four in Vermont, all of which were in use on June 30, and were transferred.

H.M.JR: Out?

MR. SULLIVAN: To the local vocational authorities, machine shop schools, tire schools, and so forth, and so on. You see, the law says that if they were in use by the authorities at that time, they can then be transferred over.

H.M.JR: Now what do I do?

MR. SULLIVAN: I have dictated the memorandum and the letter that you are to send to Bowman.

H.M.JR: They haven't come in to me?

MR. SULLIVAN: Yes.

H.M.JR: A good stiff letter?

MR. SULLIVAN: I didn't change yours very much.

H.M.JR: Again, very much in the room, I think you ought to know this, because I know you take an interest in Massachusetts: Mr. Walker called me up yesterday and said, "Now, Henry, about this matter--" Burke--is that his name?

MR. SULLIVAN: Yes.

H.M.JR: The Collector of Customs. "Just so there can't be any misunderstanding," he said, "I think you are right in not wanting him for Collector of Customs, but, of course, he is my State Chairman, and I can't say anything, and I most likely will support him. But just so there is

- 15 -

no misunderstanding between you and me, I just want to let you know I think you are right in not wanting him."

It was all I could do not to say, "Well, whatever Jim Farley's faults were, Jim would say, 'If Henry says he is no good, he is no good, and I don't want him.'"

MR. SULLIVAN: Well, Frank is together with the old Robert Jackson and Jim Farley crowd out in New Hampshire.

H.M.JR: The little experience I have had with politics, I think they would much rather have you tell them yes or no, but not both yes and no.

MR. GATON: Remember, this call was for the sole purpose of his being able to tell John McCormack that he had done what he could with the Secretary of the Treasury.

H.M.JR: Anyway, I want you to know.

MR. SULLIVAN: Thank you very much. I am glad to know that.

That is all, sir.

MR. SMITH: Kramer, our press man at Procurement, and Shaeffer were in my stable this morning, and we will have a whole plan tomorrow to keep Congress informed on this and everything else.

MR. GASTON: Your stall.

MR. WHITE: Goats don't live in stables.

MR. SMITH: If they were horses, presumably they would.

H.M.JR: The goat usually sits on the manure pile.

MR. SMITH: Eating tin cans.

MRS. KLOTZ: You are making it much better; you are fixing it all up.

- 16 -

H.M.JR: Anyway, the thought I had was that we would keep from getting criticism if we would feed the papers constantly.

MR. SULLIVAN: If our plan is wrong, we will get the criticism before we make the sale rather than afterwards. Some of them are going to be wrong; there isn't any doubt about that.

H.M.JR: They will come and jump on us.

MR. SULLIVAN: Then we will be susceptible to improvement.

H.M.JR: I had hoped that possibly different newspapers might find out about Government surplus sales.

MR. SMITH: That is right, and we are working toward having the first story that comes out be a round-up of everything that has been done as well as everything that is going to be done, and the procedure that is being followed.

Then we want to put out a bulletin every week or so that will keep everybody up to date as to what is going on and the progress that has been made on the sales they had been talking about last week, and so forth. Then, we can send that right to Congress, too. They can keep right up to date.

MR. SULLIVAN: You know, we lost about one hundred and seventy-five cars of steel and tires at Elmira in that fire?

H.M.JR: No, I didn't even know there was a fire. Well, that is one way to dispose of them.

MR. SULLIVAN: That wasn't so good.

H.M.JR: No, I agree with you.

MR. WHITE: That is a good idea about a bulletin. You can even make it a Treasury publication, a regular

- 17 -

official publication dealing with disposal of surplus products, and have in it not only notices of what you have sold and what you contemplate selling, to whom and what, but some discussion of proposals and bills going on now. It has important possibilities.

MR. SMITH: Then once a month we will have an inventory of what is left and hasn't been sold, also the local sales that we don't know about every week or so. It will just be a notice of these local sales; presumably in San Francisco they will sell us fourteen typewriters.

MR. THOMPSON: You won't let typewriters get away.

MR. SMITH: That is all, sir.

MR. GASTON: Fred and I discussed this morning this matter of clearance of speeches, and we decided that a somewhat different arrangement was better and that hereafter all speeches should go for clearance to Charlie Shaeffer, who would be entirely responsible for making all clearances that are necessary in the Treasury.

I have been reading speeches before clearance through OWI, and our proposal is, instead of doing that that Charlie Shaeffer will get them for clearance first within the Treasury and later with OWI. Clearance in the Treasury will consist of his taking them up with Mr. Smith and with whomever Mr. Smith wants to take them up with. Fred will come to me to discuss them after he gets them.

H.M.JR: Will you get out a statement on that?

MR. THOMPSON: Yes, sir.

MR. GASTON: That is all I have.

H.M.JR: Would you ask Foreign Funds--I was told that they have a deal on between ourselves and State about Gillette safety razor blades coming out of Germany to Sweden.

Now, what am I going to do with Judge Vinson at eleven o'clock Thursday?

- 18 -

MR. BELL: Mr. Paul, I think, has attended the last three or four meetings.

MR. PAUL: I have attended several. I haven't been there for a week or two.

MR. BELL: They haven't had any meetings, have they?

MR. PAUL: I don't know; I only attended when you asked me to. They don't ever do anything, so it is a sheer waste of time.

MR. BELL: It certainly is.

H.M.JR: Somebody has to go.

MR. BELL: Do you want me to go?

H.M.JR: Would you mind?

MR. BELL: I can get an easy chair and sleep.

MR. WHITE: With respect to the criticism we raised in Argentina, I think it would be quite appropriate for the Treasury to call the meeting on the grounds that--

H.M.JR: You don't know what I did this morning. I called up Mr. Hull at ten minutes past nine. I have sent you a copy of the memo. He wasn't there, but Renchard was there--something like that.

I said, "Isn't this the morning that Hull meets with Stimson and Knox?"

He said, "Yes."

I said, "I am not sure that Mr. Hull knows that we are about to buy seventy-five million dollars worth of wheat in the Argentine.

"It seems to me what Mr. Hull is trying to do--that is just crossing him up, and I don't see why they can't buy it somewhere else."

- 19 -

Mr. Renchard said, "I agree with you. Thank you very much. I will bring it to his attention and see that they discuss it this morning." We might just as well do it at that level.

I said, "Would you mind letting me know what, if anything, Mr. Hull does, instead of our trying to fuss around on the perimeter?"

Well, if Mr. Hull wants to buy seventy-five million dollars' worth of wheat in the Argentine, all right. He seemed to think it was all right to let Japan buy all the oil and scrap.

MR. SULLIVAN: I have a hot one I don't know enough about yet. I will tell you about it in detail later.

The State Department inquires as to the rights of the German Government to a refund on taxes paid on cables giving the names of German prisoners, and it looks as though under an amendment in the '42 law that they are entitled to a refund.

MR. WHITE: The German Government? Well, it is blocked. That is all right.

H.M.JR: O.K.

January 4, 1944  
2:45 p.m.

JEWISH EVACUATION

Present: Mr. Paul  
Mr. Pehle  
Mr. Luxford  
Mr. DuBois  
Mrs. Klotz

H.M.JR: The reason I asked you people to come in is, I was both surprised and pleased that you issued this license to JDC, but I wondered where--well, frankly, why I hadn't been consulted, see? That is number one.

And number two, I think it is impolitic the way you have handled it. It would have been just as easy to follow the same form as you did on the other. Whom does that cable go to?

MR. PEHLE: Harrison, in Bern.

H.M.JR: It didn't follow this exact same formula that the other did. This has the approval of the State Department and the Treasury. That is what you said in the other.

MR. PEHLE: That was in the follow-up cable, too.

H.M.JR: But I mean this thing--maybe somebody will catch it, with all due respect. I am looking at you (Pehle); I take it you drafted it? (Refers to January 4 memo, attached.)

MR. PEHLE: I did.

H.M.JR: With all due respect to you.

MR. PEHLE: Mr. Secretary, we went over this at some length before we did it. It isn't something that we just tossed off. The license was issued here, because

- 2 -

the JDC had told us that under the arrangements under which they were operating, which were of an informal character, no formal license had ever been issued before, and that the American Legation in Bern, the Commercial Attache, to be specific, was checking their stuff so thoroughly that they couldn't get any action. Consequently, we issued a license to follow the pattern explicitly in the World Jewish Congress case.

H.M.JR: The point I am making is, I would have liked them to follow the pattern of the other in which-- in the cable you say--this cable is being sent with the approval of State and Treasury. Then it is in the record you see. When we are trying so hard to make a record against them, it seems to me we have left ourselves kind of open on this thing.

MR. PEHLE: I don't see what is open, Mr. Secretary. Maybe you don't recall the background. There has been a series of cables back and forth on this issue just as on the World Jewish Congress.

H.M.JR: I haven't seen those.

MR. PEHLE: Yes, you have, Mr. Secretary. We sent you a memorandum way back explaining what the background was. You signed a memorandum approving our going ahead on the same general plan.

H.M.JR: How far back?

MR. PEHLE: Way back. Just a minute, I will get it.

H.M.JR: It wasn't this year, anyway.

MR. PEHLE: Oh, yes.

MR. DuBOIS: He got you there, didn't he?

MR. PEHLE: On August 26.

H.M.JR: Well, have a heart.

- 3 -

MR. PEHLE: I didn't expect you to remember, Mr. Secretary.

H.M.JR: I approved the thing? Wait, let me see. (Mr. Pehle hands his file to the Secretary.) Where did I approve it?

MR. PEHLE: At the end of that memorandum.

H.M.JR: Well, all right, but I also approved the other one. So much has gone over the dam.

MR. PEHLE: That is right.

Now, we were at a place where tactically the best thing to do was to issue the license here, following the type of license that Riegelman drafted in a hurry that day, but improving on it, which we have done.

H.M.JR: If Paul would have said to me, "Look, this is going to go; Pehle wants you to see it just to be sure everything is in the clear," I would have just stopped everything for five minutes.

MR. PAUL: I raised the question with Pehle before I sent it in to you last night.

H.M.JR: What point did you raise?

MR. PAUL: I raised the question of State's approval of the thing, State going with us. I couldn't tell whether that language near the end there meant that State had approved the specific cable or whether--

MR. DuBOIS: Of course, actually we did the same thing in the World Jewish Congress case.

MR. PEHLE: What you are referring to, I think-- I haven't got the file on the World Jewish Congress thing. What you are referring to is the follow-up cable of December 24, the one I talked to you about on the telephone. In the World Jewish Congress case after the

- 4 -

license had been issued and they came back, we worked that into the cable.

H.M.JR: The license was issued on a Saturday without our knowledge. Then on Thursday afternoon--I don't know whether it was my suggestion or not, but we put in--I don't know, I can't recall all of these things. I think I suggested, but I am not sure, that this was going with the approval of State and the Treasury. I don't know who suggested it. Then we said--the cable that went--

MR. PEHLE: A cable, Mr. Secretary--first remember that a cable had come back from Bern saying that Reigner had the message personally, and certain other things. We said, "Please report to the Department and to the Treasury about this matter.

H.M.JR: No, right at the end, the last sentence said, "This goes with the approval of State and the Treasury."

MR. LUXFORD: That is the thing Long had to approve.

H.M.JR: And I said, "Now, if this goes and I don't hear from you--" this was Thursday morning.

MR. PEHLE: "...by three o'clock--" I haven't it here, Mr. Secretary.

H.M.JR: Do you remember?

MR. PAUL: I tried to identify it. I couldn't do it.

H.M.JR: I am awfully sure that it was the one Thursday morning.

MR. PEHLE: I know which one it was.

H.M.JR: Now look, to save argument--

MR. PAUL: I probably have it in my office.

- 5 -

H.M.JR: To save time, couldn't you ask them to say this, that this was done in a great rush and would they mind sending a confirming cable in the same form that this thing is?

MR. PEHLE: It went yesterday. The only point, Mr. Secretary, in not asking for an appointment and going through that procedure was we were trying to go as fast as we could.

H.M.JR: Listen, God bless you!

MR. PEHLE: Well, the only point I have in sending up a follow-up cable that reworded the one we sent is, it sounds like maybe there is something wrong or we are covering up something. I think we can find an excuse to get a cable off there which will say what you wanted to say.

H.M.JR: That is all I am asking, because the thing I don't want--after all, you fellows are building a case. I don't want them to build a case against us and say, "Look, you say you are always consulted. Here you sent one. Well, you signed it."

"Well, I signed it because the Treasury asked me to," says Mr. Hull. See? It may not be of any importance, but it is a little extra safeguard.

Now, can you find some excuse? There will be another one on this. When the next one goes, simply say, "State and Treasury approve all phases of this transaction and previous cables," or something like that. That is all.

MR. PEHLE: I am sure we can work that in, Mr. Secretary.

H.M.JR: All right; that is all.

MR. PEHLE: It might have delayed things yesterday if we had put it in.

- 6 -

MR. DuBOIS: It might have delayed this, too, you know.

H.M.JR: You don't know, boys, you don't know. After all, the other one went the same day. You don't know.

MRS. KLOTZ: There was too much at stake.

H.M.JR: They don't know. The other one went the same day. There is an awful lot at stake. The thing at stake is, we may spoil the very good gains we have made.

Well, I am not going to continue the subject. You have the point.

MR. PEHLE: We can work it in, I am sure.

H.M.JR: Now, keep me posted. I am very much interested in this thing, John.

Have you had a chance to read that Argentinian stuff?

MR. PEHLE: Yes.

H.M.JR: How long would it take you to tell me about it?

MR. PEHLE: In the first place, the body of it is seventeen pages long. I am getting another this afternoon, a cleaner copy of the body. You may want to read the body of it yourself. It does have a lot of interesting stuff in it, particularly on the military side.

H.M.JR: Do you think you could get it to me so I could read it tonight.

MR. PEHLE: Yes, sir, I am sure I can, because I was promised it at three o'clock.

H.M.JR: General Strong asked me if I had read it. I said you and I were reading it together.

- 7 -

Incidentally, I think I made some headway on the Argentinian thing. We had General McSherry for lunch today. He said, "Gee whiz, I can't get any wheat for Sicily." He says McCloy has been around and is busy trying to find out if there isn't some other place to get it other than the Argentine. So I called up Mr. Hull's office this morning to bring it to his attention.

MR. PEHLE: The memorandum that went to you went to Cordell Hull at the same time.

H.M.JR: What memorandum?

MR. PEHLE: That long memorandum.

H.M.JR: From Strong?

MR. PEHLE: Yes, sir.

H.M.JR: Then you will see that I get this so I can read it?

MR. PEHLE: Yes, sir.

H.M.JR: Again, let me thank you all for what you are doing for the JDC and these people. I am delighted, God knows.

MR. PEHLE: We have also, Mr. Secretary, to bring you up to date, given the JDC a hundred thousand dollars' worth of Swiss francs yesterday out of the stabilization fund. It is also agreed they are to have two hundred thousand more, explicitly for the purpose of helping people under this plan get out of France.

H.M.JR: When you send in the other thing, send me a copy of that thing on the plan of the JDC so I can read that and refresh my memory, will you?

MR. PEHLE: I am not sure what you mean by that.

H.M.JR: The August one.

- 8 -

MR. PEHLE: The August memorandum, yes, sir.

H.M.JR: I would like to read it.

MR. PEHLE: There are some variances.

H.M.JR: Whom do you do business with in the JDC?

MR. PEHLE: Leavitt.

H.M.JR: He is here?

MR. PEHLE: He is down here all the time. He is very good.

H.M.JR: Who was the former JDC man in Europe who is now a Lieutenant Colonel?

MR. PEHLE: I don't know.

H.M.JR: The next time Leavitt comes in, bring him in, will you?

MR. PEHLE: I would like to.

H.M.JR: Somebody was going to give me a dossier--

MR. PEHLE: ...on Reigner. That hasn't come yet.

H.M.JR: O.K. if nothing worse should happen than that; you fellows move too fast!

January 4, 1944

MEMORANDUM FOR THE SECRETARY'S FILES:

Attached (Exhibit A) is a copy of a cable sent to Mr. Long of the State Department by the undersigned under date of January 3, for dispatch to the American Legation at Bern.

A copy of this cable was sent to Secretary Morgenthau who called a meeting in his office at 2:45 p.m., January 4, to discuss the cable. At his suggestion the last paragraph was reworded so as to make it clear that the operations in question have the approval not only of the Treasury Department but also of the Department of State. Attached (Exhibit B) is a copy of the cable as revised. The changes in the cable were telephoned to the State Department at 3:55 p.m. on January 4.

(Signed) J.W. Pehle

JWPehle:lh 1/4/44

CABLE TO BERN

(EXHIBIT A)

32

Please transmit promptly to Saly Mayer, representative of the American Jewish Joint Distribution Committee, St. Gall, Switzerland, the following which is the text of a license which has been issued by the Treasury Department to the American Jewish Joint Distribution Committee: (Text of license begins):

- "1. In order to arrange for the evacuation to places of safety of persons in France whose lives are in imminent danger and, pending possible evacuation, to sustain and safeguard the lives of such persons, your representative in Switzerland (including such agents as he may appoint) is hereby licensed notwithstanding the provisions of General Ruling No. 11 to communicate with persons in France in any manner he deems necessary or expedient and to take all other appropriate action, including the payment to persons in France of French francs for goods and services. The necessary French franc funds to finance such operations may be obtained by either of the following two methods:
  - (a) The first method is the purchase of French francs from persons in Switzerland who your representative, after consulting with the United States Legation in Bern when feasible, is reasonably certain have held such French francs since prior to the fall of France or have since acquired such francs in such manner as has not benefited the enemy. The sellers of such francs may be reimbursed therefor in Swiss francs at the prevailing unofficial rate of exchange in Switzerland for French francs.

- 2 -

- (b) The second method is the acquisition of French francs from persons in France or elsewhere for which reimbursement will not be made until after the war. In order to insure reimbursement after the war to the persons supplying such francs, blocked accounts may be established on your books in the United States, or in a bank in the United States or a bank in Switzerland. No payments may be made from any such blocked account without the specific approval of the Treasury Department and no assignments may be made of any interest in such blocked account without such approval.
2. The total amount of dollars or Swiss francs paid out or set up in blocked accounts or otherwise obligated under the terms of this license shall not exceed 2,500,000 Swiss francs, or the dollar equivalent thereof, during the six months' period beginning January 1, 1944.
  3. Your representative should keep the American Legation in Switzerland fully informed with respect to the financial transactions effected under this license. In so far as feasible your representative should make certain that the persons from whom the French francs are purchased are acceptable to the Legation. Your representative should satisfy himself that payments to such persons will not benefit the enemy.
  4. Periodic reports with regard to any operations engaged in under this license should be filed with the Treasury Department by your representative through the United States Legation in Bern." (End of text of license.)

- 3 -

Please advise Saly Mayer that this license has been issued by the Treasury Department in order to clarify the procedure to be followed by him in connection with the acquisition of French francs for use in relief and evacuation operations in France and that the Treasury Department will consider requests to increase the total amount of dollars or Swiss francs specified in paragraph (2) of the license.

Please take all reasonable steps to facilitate these operations and promptly report to us the progress being made and any difficulties encountered, particularly in connection with the financial operations involved.

CAME TO BE

Please transmit promptly to Saly Mayer, representative of the American Jewish Joint Distribution Committee, St. Gall, Switzerland, the following which is the text of a license which has been issued by the Treasury Department to the American Jewish Joint Distribution Committee (Text of license begins):

1. In order to arrange for the evacuation to places of safety of persons in France whose lives are in imminent danger and, pending possible evacuation, to sustain and safeguard the lives of such persons, your representative in Switzerland (including such agents as he may appoint) is hereby licensed notwithstanding the provisions of General Ruling No. 11 to communicate with persons in France in any manner he deems necessary or expedient and to take all other appropriate action, including the payment to persons in France of French francs for goods and services. The necessary French franc funds to finance such operations may be obtained by either of the following two methods:
  - (a) The first method is the purchase of French francs from persons in Switzerland who your representative, after consulting with the United States Legation in Bern when feasible, is reasonably certain have held such French francs since prior to the fall of France or have since acquired such francs in such manner as has not benefited the enemy. The sellers of such francs may be reimbursed therefor in Swiss francs at the prevailing unofficial rate of exchange in Switzerland for French francs.

(b) The second method is the requisition of French francs from

persons in France or elsewhere for which reimbursement will not be made until after the war. In order to insure reimbursement after the war to the persons supplying such francs, blocked accounts may be established on your books in the United States, or in a bank in the United States or a bank in Switzerland. No payments may be made from any such blocked account without the specific approval of the Treasury Department and no assignments may be made of any interest in such blocked account without such approval.

2. The total amount of dollars or Swiss francs paid out or set up in blocked accounts or otherwise obligated under the terms of this license shall not exceed 2,500,000 Swiss francs, or the dollar equivalent thereof, during the six months' period beginning January 1, 1944.

3. Your representative should keep the American Legation in Switzerland fully informed with respect to the financial transactions effected under this license. In so far as feasible your representative should make certain that the persons from whom the French francs are purchased are acceptable to the Legation. Your representative should satisfy himself that payments to such persons will not benefit the enemy.

4. Periodic reports with regard to any operations engaged in under this license should be filed with the Treasury Department by your representative through the United States Legation in Bern. (End of text of Memo.)

- 3 -

Please advise Saly Mayer that this license has been issued by the Treasury Department in order to clarify the procedure to be followed by him in connection with the acquisition of French francs for use in relief and evacuation operations in France and that the Treasury Department will consider requests to increase the total amount of dollars or Swiss francs specified in paragraph (2) of the license.

These operations have the approval of the Department and of the Treasury and you should take all reasonable steps to facilitate them. Please promptly report to us the progress being made and any difficulties encountered, particularly in connection with the financial operations involved.

57990

WORLD JEWISH CONGRESS  
330 West 42nd St.  
New York 18, N.Y.

*NA*

January 4, 1944

Miss Florence Hodel  
Assistant to the Director of  
Foreign Funds Control  
Treasury Department  
Washington, D. C.

Dear Miss Hodel:

Herewith the biographical sketch of Dr. Gerhart  
Riegner.

I trust this is the information that will serve  
your purpose.

Very cordially yours,

/s/ Evelyn Linwood

Secretary to James Waterman Wise

EAL:G

BIOGRAPHICAL SKETCH - DR. GERHART RIEGNER

NAME OF ALIEN: Gerhart Riegner

DATE and PLACE OF BIRTH: September 12, 1911 Berlin, Germany

PRESENT NATIONALITY: Stateless -- he lost his German citizenship by the decree of December, 1941.

PRESENT RESIDENCE: 72 Route de Florissant, Geneva, Switzerland

PLACE OF PREVIOUS RESIDENCE: 1911-1933: Berlin, Germany  
1933 to December, 1934: Paris, France  
1935 to date: Geneva, Switzerland

NO CLOSE RELATIVES ABROAD.

CLOSE RELATIVES IN THE UNITED STATES:

Father: Heinrich H. Riegner, 3 Hammond Street, Cambridge, Massachusetts. He came to this country on February 22, 1940, and received his first papers in August, 1940.

Mother: Agnes Reigner, 3 Hammond Street, Cambridge, Massachusetts. She came to this country with her husband in February and also acquired her first papers in August, 1940.

Sisters: Helene I. Riegner, 3 Hammond Street, Cambridge, Massachusetts. She came to this country on October 16, 1937 and received her first papers in December, 1937. She is now working for a Ph.D. degree at Radcliffe College.

Marianne Riegner, 3 Hammond Street, Cambridge, Massachusetts. She came to this country in February, 1940 and received her first papers in September, 1940. She graduated from Wellesley College last June.

OCCUPATIONAL EXPERIENCE:

After graduating from Law School he started his practical training at the courts of Berlin in January, 1933. In

-2-

April, however, he was dismissed in consequence of the new racial regulations.

While studying law in Paris, he worked for several months in 1934 in a law office.

In the summer of 1936 when the foundation of the World Jewish Congress was planned, Dr. Riegner was charged with the preparations to organize that office. When the World Jewish Congress office was established in Geneva in August, 1936, he was appointed secretary. He has held that position to date.

**EDUCATION:** 1917 to March 1929: He attended the Kaiser Friedrich School in Berlin-Charlottenberg.

1929-1932: He studied law at the Universities of Berlin, Freiburg and Heidelberg. He received his training in Civil Law especially from the famous Prof. Martin Wolff in Berlin, but his chief interest was devoted to Public Law, Government and International Law.

Since he was not able to practice law in Germany, he went to France in May 1933 where he studied law and passed the required examinations in November, 1934. Shortly after, new regulations were passed prescribing that no one could be admitted to the bar unless he had been a French citizen for at least ten years.

In December, 1934, he went to Geneva, Switzerland and there devoted himself to a thorough study of International Law at the University of Geneva and the Rappard Institute, an American foundation for the study of international relations as to law, economics and politics. The Institute granted him a scholarship for one year.

**POLITICAL AND ORGANIZATIONAL ACTIVITIES:**

Dr. Riegner took part in all the activities of the World Jewish Congress office in Geneva, led by

-3-

Dr. Goldman. The chief task of the office was to observe, explore and document the legal, political and economical circumstances of the Jews in Germany and the East-European countries. Reports had to be made from the central office of the Congress in New York; memoranda had to be elaborated for the democratic Governments of Europe especially when the leading statesmen of the different countries came to Geneva to the sessions of the Council or the Assembly of the League; it was necessary to sustain the closest relations with the newspapermen of Geneva and of the whole world during the regular meetings at Geneva; proposals had to be presented to the Conference at Evian organized by the United States for settlement of Jews leaving their homeland in Europe.

Gerhart Riegner did much of the work in connection with these tasks of the office at Geneva. The office edited a periodical in which the activities of the Nazis and Fascists were described and the fluctuating situation of the European Jews explained. He wrote a great many of its articles.

COPY

THE JEWISH AGENCY FOR PALESTINE,  
77, GREAT RUSSELL STREET,  
LONDON, W.C.1.

4th January, 1944.

Judge Samuel Rosenman,  
The White House,  
WASHINGTON, D.C.

I have been anxious to write to you for some weeks now, but have felt it better to wait for a good opportunity.

First of all, I wanted to let you know something of the "Hoskins story" of which you may have heard some echoes in Washington, and I think I cannot do better than send you the account of recent developments at this end which I wrote down for Mr. Sumner Welles in a letter dated December 13th. I attach a copy of this letter, with the enclosure by Mr. St. John Philby. (Mr. Philby, who is a great Arabic scholar and traveller, has been connected with Ibn Sa'ud for many years; he is, I believe, a great friend of the King). Though I addressed the letter to Mr. Sumner Welles, it is, as you will realise, intended for the President to whom I was anxious to explain that it was not by us that his name had been so gratuitously introduced into the matter of the guarantee. Ibn Sa'ud's change of attitude as reported by Colonel Hoskins, may I think be due to the long delay between the original mention of the idea and Colonel Hoskins' visit (the first discussion with Mr. Philby was three years ago); or to the fact that Colonel Hoskins came without the "firm offer" which the King expected; or - in my view very probably - to the intervention of certain representatives of the oil companies which hold important concessions in Saudi Arabia, and which must provide Ibn Sa'ud with a considerable income; the activities of such companies in the Middle

/East

East are, in my experience, usually anti-Jewish. In my own view, the sending of Hoskins to Ibn Sa'ud was a serious mistake: he came empty-handed, and quite unprepared - and he is in any event none too sympathetic. I did warn Mr. Sumner Welles about this in a letter which I wrote him before leaving America - of which you can get a copy from Mr. Meyer Weisgal.

I think the letter to Mr. Welles covers the rest of the Hoskins story - so far as it is known to us here. I should perhaps add that the "plan" which Mr. Philby mentioned to the King three years since was also mentioned to me, quite independently, and without any knowledge of Mr. Philby's views, by the Prime Minister, and this is why I have always attached considerable importance to it.

Since my return to London I have seen quite a number of people: the Prime Minister, Mr. Attlee, Field-Marshal Smuts, and of course the Colonial Secretary (several times) - apart from some other members of the Cabinet. No very precise information was made available to me, but my impression is that there are the following "probabilities" in the air:

1) It seems to be assumed that the White Paper cannot be maintained (though I'm sure that the Palestine Administration would do - and is doing - everything in its power to maintain the White Paper policy), and that something else, at present unspecified, will replace it. It may be that the idea of partition is to be revived. Such a solution at this time would, I believe, be neither just nor final, nor could it be agreed to by the Jewish people. I do not know whether any definite decision has been reached or not, though I gathered from hints dropped by Field-Marshal Smuts that our affairs were discussed at the recent meetings, and no doubt the President was in the picture - which makes me very happy.

2) Hints are also being dropped in various quarters that the decision - whatever it may be, will be "imposed" on both sides, and not previously discussed

oussed with us or the Arabs.

The element in the present situation which worries us most is the growing bitterness between the British Administration in Palestine and the Jewish Community. It stems, of course, mainly from the White Paper (to which, as already mentioned, the local officials would like to adhere indefinitely), and from all that has happened to us in the last few years: the Struma, the Patria, the evacuation of refugees from Athlit to Mauritius, the recent trials and searches for arms, with the savage sentences imposed on our people (in striking contrast to the trivial punishment meted out to hundreds of Arabs guilty of similar and more serious offences) - all this, with innumerable small and larger chicaneries over a period of years, has contributed to exasperate the Jewish population. I have done my utmost - not, I believe, without some measure of success - to hold things steady, and have just recently invited delegations from Palestine and from the States to meet in London in order to discuss the whole situation and the possible decisions of which we may be informed. I cannot emphasise too strongly that our most immediate anxiety is to prevent the occurrence in Palestine of incidents which may prejudice any future arrangements. Many Americans returning from Palestine are, I fear (like many of the British) unduly and adversely influenced by the local Administration, and anything which can be done from the American side to counteract this would be of great value. For the last year or so we have been hearing from British and American sources that everything in Palestine is working up for a clash between Jews and Arabs. On the other hand, we understand from many sources that relations between Jews and Arabs - at any rate in ordinary day-to-day intercourse - are improving, and these panicky reports have no real justification. For myself, I am quite sure that talking about clashes is the best way of bringing them about. Uncertainty is also a fertile breeding-ground

/for

for unrest: the sooner a definite decision is taken, and a constructive policy announced, the better for everyone. The Prime Minister rightly attaches the greatest importance to correct timing (as you may see from the enclosed note of my talk with him); and we would agree, were it not that we fear that delay may play into the hands of the dark forces operating in that part of the world - forces anxious to provoke a clash, and prevent any constructive solution.

Just as I left America I heard, to my great distress, that you were not well, so that I could not see you to say goodbye. I am very happy to learn that you are back at work again - the best possible sign of full recovery.

I send you my very best wishes for a happy New Year, and look forward to hearing from you soon.

With kind personal regards, I am

Very sincerely yours,

Signed....CH. WEIZMANN

P.S. We have been thinking of going to Palestine - but of course it is difficult, things being as they are, to make any definite arrangements any distance ahead.

SECRET

-----  
 SHORT NOTE OF CONVERSATION WITH FIELD-MARSHAL SMUTS, HYDE PARK HOTEL, LONDON, S.W. 1.  
 THURSDAY, OCTOBER 14th, 1943, at 10 a.m.  
 -----

I met General Smuts at the Hyde Park Hotel at ten o'clock this morning, and though we had not seen each other for eleven years, we met as old friends. I had, however, a considerable amount of leeway to make up in order to put before him a picture of the situation as I see it at present, and this took about half an hour.

I described our difficulties and frustrations: the White Paper, and what it means for us, the Jewish Army, etc., and incidentally told him that because of the White Paper probably about 150,000 to 200,000 more Jews had died in torment because we could not get them out. I added that in a few months now, there would be a notice over the gates of Palestine: "No Jew need apply." I described the gun-running trials, and told him that Englishmen and Americans were apt to return from Palestine with poisoned minds, to spread anti-Jewish, anti-Zionist, anti-semitic, propaganda, suggesting that the Jews were subversive, and attacking the United Nations in the midst of the war. They were trying to drive us into revolt, and at the same time they accused us of being subversive. It seemed that they were following the pattern so successfully evolved by Hitler: first defame - then you can do what you please with them.

The General listened with close attention, and at the end said that I had painted a dark picture. He thought I had changed a great deal in the years since we had met. I said it was small wonder if I had. But my attitude had taken a course precisely opposite to his own: he had started by fighting the British, and now everything was being done to drive the Jews into opposition to them. I think this made an impression on him.

I said that, so far as the Jews were concerned, Hitler had won the war, because he had succeeded in poisoning men's minds everywhere. He replied emphatically that Hitler was not going to win.

He asked me whether I thought the Jews still followed me? I said I believed that English, American and South African Jews still did. So far as Palestine was concerned, it was some years since I had been there and they might regard me as coming empty-handed. But I thought they would still follow me.

I told him the story about Ibn Sa'ud and Philby and the Prime Minister's talk with me about his plan. But more than two years had passed since then, and nothing had happened. I was afraid that such an atmosphere was being created as eventually to make it impossible for the Prime Minister - with the best will in the world - to do anything; his hands would be tied - the Administration in Cairo and Jerusalem would see to that. I said it was therefore essential to do something now, and the first thing I would suggest was that General Smuts and myself should meet the Prime Minister and discuss the matter. He thought this an excellent suggestion, and said he would try to arrange it.

/that

2.

That more or less terminated the interview. I am sending him a written note of the facts mentioned in my statement. He will, as he said, "chew it over", and we shall meet again. He will then try to arrange the interview with the P.M.

In conclusion, I said: the picture is gloomy, but there are still three men in the world who could solve our problem: the Prime Minister, Mr. Roosevelt and yourself. I then gave him a short account of my talk with Roosevelt.

The talk, which was throughout most friendly, lasted about three-quarters of an hour.

-----

EXTRACTS FROM MINUTES.23rd November, 1943.INTERVIEW WITH GENERAL SMUTS:

Dr. Weizmann said he had seen General Smuts at 11 o'clock that morning, and had had a very cordial talk with him. General Smuts had given him as much time as he wanted. The General thought that things were going well for them. A decision might be taken by Mr. Stalin, the Prime Minister and the President at their present conference, and General Smuts might join them at the end of the week - or the beginning of next week. He suggested that Dr. Weizmann and Sir Wyndham Deedes should lunch with him before he left. The General said that the Prime Minister's mind was revolving round partition, which would give a good run to the Jews. He told Dr. Weizmann that he should not ask too many questions, so that he should not be committed. They wanted to retain Dr. Weizmann's leadership. General Smuts said that the talk which Dr. Weizmann had had with the Prime Minister meant more than they believed. Dr. Weizmann should not pay too much attention to what other people were saying: it would be the Prime Minister, the President, and perhaps he himself who would settle the matter. The General said they had friends in Mr. Amery and Sir Archibald Sinclair. In the meantime, Palestine must be kept quiet. He would see Mr. Casey on the way back. He mentioned that Mr. Casey had spoken to him about the Haganah. General Smuts did not believe there had been organized "provocation", but there probably was a good deal of "panic" (he used the words "terror judaica"), which led to provocative acts. Dr. Weizmann said that such acts had to be stopped, and General Smuts said he would talk about it that day. General Smuts said the Government had great confidence in Dr. Weizmann, and Dr. Weizmann replied that they had a funny way of showing it, because he was not even allowed to communicate with his people in Palestine and in America. General Smuts said he was surprised to hear this and would take it up. The General suggested that Dr. Weizmann might have to go to Palestine. Dr. Weizmann told him about Mr. Ben Gurion, and the cables sent to Palestine and America. General Smuts said that if necessary they would arrange for Mrs. Weizmann to travel with him.

Dr. Weizmann said that at one time they had heard that Sir Douglas Harris was here and was advising on some kind of partition scheme. General Smuts brushed this aside and said: "We will decide".

Summing up, Dr. Weizmann said they had discussed three points:

- (a) the stoppage of the arms searches;
- (b) communications with Palestine and America;
- (c) provision of transport facilities for Mrs. Weizmann if Dr. Weizmann had to go to Palestine.

SECRET:

EXTRACTS FROM MINUTES OF THE 21ST DECEMBER, 1943.

TALK WITH MR. AMERY;

Dr. Weizmann said he had shown Mr. Amery the telegram he had received from General Smuts; Mr. Amery had answered that he could not tell him anything about it. Dr. Weizmann replied that he quite understood that, but it seemed to him that things were going towards partition. Mr. Amery replied that there would only be a definite decision when the Prime Minister was back in London. After some time, Mr. Amery said there was one thing he could mention, and that was the Palestine Currency Board had accumulated some £50,000,000, so that there would be some money to give both to Arabs and Jews. At one stage, Mr. Amery said: Let them impose it on you; otherwise the Arabs will refuse.

-----oO-----

77, GREAT RUSSELL STREET  
LONDON, W.C.1.

13th December, 1943.

Hon. Sumner Welles,  
WASHINGTON, D.C.

Dear Mr. Sumner Welles,

It was with deep regret that I learned of your leaving the Department of State. I hope you will forgive me for troubling you, even now, with a matter discussed between us while you were in office; for I should like it to be brought to the attention of the President, and if you are willing to do me this great service, I feel that no one is as well acquainted with the subject as you are yourself.

2. You will doubtless remember that during my conversations with you I mentioned a scheme for a Jewish-Arab agreement, originally put to me by Mr. St. John Philby, the well-known Arabian traveller and scholar, who is a personal friend of King Ibn Sa'ud. This I briefly repeated to the President when I had the honour of seeing him. May I remind you of its main outline? The Arabs should relinquish Palestine west of the Jordan to the Jews if, at that price, complete independence is secured to them in all other Arab lands in Asia. Mr. Philby envisaged considerable transfers of Arab population, and a compensation of £20,000,000 was to be paid to Ibn Sa'ud. When Mr. Philby first discussed this scheme with me in the autumn of 1939, in the presence of my colleague Mr. Namier, we replied that Jewry, though impoverished, will be able to meet the financial burden, of which part would have to take the form of Palestinian goods, or work on land to be developed for re-settlement of Arabs. But the political part of the programme could only be implemented by Great Britain and the United States.

3. In the talk with the President you suggested sending Colonel Hoskins to King Ibn Sa'ud. I felt reluctant to express my doubts, but, after careful consideration, I wrote to you deprecating the proposed choice because I knew Colonel Hoskins to be in general out of sympathy with our cause. The position with regard to Ibn Sa'ud was extremely delicate. As you will see from the enclosed letter from Mr. Philby, he had put his scheme before Ibn Sa'ud on January 8th, 1940. Ibn Sa'ud replied that he would consider it, if it came to him as a firm offer, but that he would disavow Mr. Philby if this attitude was prematurely divulged. Clearly he feared opening himself to attack by rivals in the Arab world on account of a scheme which might never reach the stage of practical consideration.

4. After leaving America last June, I heard no more until the end of October, when Colonel Hoskins came to see me here three times in November. He told me that he had been to Arabia and had there heard for the first time about the Philby  
/scheme

scheme. He reported King Ibn Sa'ud as having spoken with great bitterness about me, declaring that I had sent Mr. Philby to him with the offer of a bribe, which was contrary to his honour, patriotism, and religion; and that he had turned Mr. Philby out, and would not receive him in Arabia again. Colonel Hoskins also reported Ibn Sa'ud as saying that the £20,000,000 was to be guaranteed by the United States. Colonel Hoskins further informed me that Ibn Sa'ud had sent a written statement to the President in which Mr. Philby is alluded to, but not named.

5. The assertion about the United States guarantee for the money compensation was obviously based on a misconception somewhere (see above, paragraph 2). I should be profoundly distressed if the President thought I had used his name in this connection, which was never the case. Further, I was astonished by what Colonel Hoskins reported Ibn Sa'ud to have said about Mr. Philby, as I knew that Mr. Philby had remained a guest of the King for quite half a year after having put his scheme before him. I was therefore relieved the next time I met Colonel Hoskins to discover that the report of Mr. Philby's disgrace had been merely Colonel Hoskins' own deductions: he said he could not imagine that the King would welcome back a man who had suggested so distasteful a scheme. Mr. Namier and I discussed the matter frankly with Mr. Philby, who has also seen Colonel Hoskins alone. Mr. Philby's view (as you will see from the enclosure) is that Colonel Hoskins' mission left matters much as they stood, and that if the original scheme was offered to Ibn Sa'ud on behalf of the President and Mr. Churchill, it would be accepted.

6. When I was in America you were good enough to discuss with me at length the Palestine question. I hope that you have not lost the interest in Palestinian affairs which gave me so much encouragement and pleasure. May I put my views before you once more in special connection with Mr. Philby's scheme? It is conceived on big lines, large enough to satisfy the legitimate aspirations of Arab and Jews, and the strategic and economic interests of the United States and Britain. In my belief, none of the problems of the Middle East can be effectively settled piecemeal, but only by treating them as a connected whole. The world is deeply interested in solving the Jewish problem, the overwhelming majority of the Jews themselves desire a Jewish Commonwealth in Palestine, and expect its establishment to normalise the position of Jews in the Dispersion; the Arabs demand complete independence and freedom to achieve unity.

7. If the world supports the Jews in their demand for Palestine west of the Jordan, let the Arabs concede it as a quid pro quo for fulfilment of their claims everywhere else. Our heritage in Palestine was cut down to the bone when Transjordan was separated in 1922. What is left, is clearly a unit, and further partition of it would deprive the settlement of finality. If the whole of western Palestine is left to us, we plan to carry out a Jordan Development Scheme suggested to us by American experts. This would also benefit the Arab land on the western bank, and facilitate transfers of population. A scheme on such large lines would be greatly helped by the backing of an outstanding personality in the Arab world, such as Ibn Sa'ud. I therefore feel, in spite of Colonel Hoskins' adverse report, that, properly managed, Mr. Philby's scheme offers an approach which should not be abandoned without further exploration.

Yours very sincerely,

Signed.....CH. WEIZMANN.

-----  
 EXTRACTS FROM A STATEMENT SENT TO ME BY MR. ST. JOHN PHILBY, 17.11.43.  
 -----

.....It was, I said, on January 8th, 1940 - a few days after my return to Arabia - that I communicated "the plan" to the King. There was nothing whatsoever to prevent him telling me then and there that it was an impossible and unacceptable proposition - in which case I should have informed Dr. Weizmann accordingly and dropped the whole thing. But the King did not tell me that. He told me, on the contrary, that some such arrangements might be possible in appropriate future circumstances, that he would keep the matter in mind, that he would give me a definite answer at the appropriate time, that meanwhile I should not breathe a word about the matter to anyone - least of all to any Arab - and finally, that if the proposals became the subject of public discussion with any suggestion of his approving them, he would have no hesitation whatsoever in denouncing me as having no authority to commit him in the matter. I was perfectly prepared to accept that position, and the King knew that I would communicate his answer to Dr. Weizmann. He did not forbid me to do so!

So far from being a persona non grata to the King owing to my connection with this business, I remained in Arabia until July 21st of that year (1940) - six and a half months after the fatal communication, and practically all the time as the King's guest at Riyadh or in his desert camp. Indeed, on June 1st His Majesty made me a gift of a newly-built house on the assumption and in the hope that I should live permanently in Arabia. Time dragged on with never a sign from the King, and on a certain occasion when Yusuf Yasin and I were alone together in the desert I ventured to broach the subject to him. As I expected he was hostile, but, so far as I know, he kept my confidence and I heard no more of the incident. Still later, under similar conditions of confidence, I told Bashir Sa'dawi the general outline of the plan, and found him unexpectedly favourable; but within the hour he had told the King of our conversation, and, when I walked into the audience-chamber that afternoon, the King summons me to his side. Didn't I tell you, he said, not to talk to anyone about that matter? I made some very lame excuse, saying that I thought he must have forgotten all about it, and that there was no harm in talking about it as an academic proposition. Well, remember, he said; don't do it again! Meanwhile, the European situation was having a gloomy effect on Arabia, and I imagined that appropriate conditions for the discussion of Palestine affairs would be long in establishing themselves. In May I decided to press the King for an answer, but, as I anticipated, he put me off again, - though without one single word of reproach.

It was entirely on my own initiative that I decided about the middle of June to leave Arabia for America. Communications with my family in England had been cut off by the closing of the Mediterranean; but, when I gave this as my reason for going to America, the King telegraphed to the

/ Arabian

Arabian Minister in London to telegraph a weekly bulletin regarding my family. Nevertheless, I insisted on going despite the efforts of the King and the Amir Sa'ud to dissuade me on the ground that I might get into trouble owing to my habit of free speech. I answered that England was a democratic country cherishing the right of free speech at all times. In the end, unable to dissuade me, the King insisted on my recording in my diary that he himself had warned me not to leave Arabia lest I might get into trouble. On the very day of my departure the Crown Prince, who had come to the door to see me off, begged me to change my mind even at the last moment, and begged me to record in my diary that he too had tried to prevent me leaving Arabia.

I explained all this in detail to Colonel Hoskins in order to disabuse him of the impression that I was at any time, after making "the plan" known to Ibn Sa'ud, a persona non grata at his Court. As regards the future, I put it to Colonel Hoskins that the suggestion of my return to Arabia being unwelcome to the King was obviously susceptible of a very simple test. The very same suggestion had been officially made once before (in February 1941) and I had applied the test with the result that I had been categorically assured by the Arabian Minister in London not only that I would be welcome back in Arabia, but that he was ready at any time to give me the necessary visa for the purpose of returning thither. In view, however, of the withdrawal of Colonel Hoskin's original statement that the King would not permit my return, I did not think it necessary to take any specific action in the matter. I was, indeed, as I explained to Colonel Hoskins, completely satisfied with his explanation of the whole matter, and he readily accepted my suggestion that, as his remarks about the King's attitude to me had naturally shocked Dr. Weizmann, he should seek an opportunity of explaining the real position to them as he had done to me. With that, I brought the conversation back to "the plan". On his own showing, I said, he had known nothing of "the plan" until it had been mentioned to him by the King. It followed that he had not gone to the King with anything in the nature of a firm offer on the lines of "the plan" on behalf of the United States Government. A further statement, made by Colonel Hoskins to Dr. Weizmann (but not repeated to me) was that Colonel Hoskins started by asking the King whether he would see Dr. Weizmann; that the King replied that he would consider the matter, but some days elapsed without his returning to the subject. Concluding from this that the answer was negative, Colonel Hoskins asked him whether he would meet one of Dr. Weizmann's colleagues? It was then that the King is reported to have broken out against Dr. Weizmann and the Scheme. Colonel Hoskins was now aware, I went on, from what I had said, that the King had sworn me to complete secrecy and had warned me that he would, if necessary, denounce me. That was exactly what had happened, and the deduction I drew from the whole story was as follows:

The King, on hearing that he was to be visited officially by a confidential emissary of the American Government naturally assumed that the emissary was coming to communicate to him a firm offer on the lines of "the plan". The emissary came with no such offer, but merely with the suggestion that Ibn Sa'ud should meet Dr. Weizmann or some other Jewish leader, presumably for the purpose of further bargaining

/ over

over Palestine. The King, fully accustomed to the tortuous ways of diplomacy, had deliberately refrained both from giving a definite answer and from expressing his opinion of Dr. Weizmann. He may well have thought that a few days of silent incubation would produce the firm offer which he had a right to expect if "the plan" reflected the desire of the British and American Governments. But Colonel Hoskins had no firm offer to make him; and when some days later he merely asked for the King's reply to his original suggestion about seeing Dr. Weizmann, His Majesty, realising that "the plan" had obviously not won acceptance on the part of the two Governments concerned, allowed himself, as he occasionally does in moments of disappointment, the luxury of a fit of ill-temper at the expense of Dr. Weizmann, the Jews in general, and myself. It was exactly what I would have expected in the circumstances. King Ibn Sa'ud is getting very weary of the ways of Western diplomacy, and he perhaps rightly suspects that the strategic, economic and political interests of certain Great Powers debar them from making any really acceptable offer to the Arabs.

Nevertheless, as I made clear to Colonel Hoskins after our very full talk over the whole business, his account of his conversations with King Ibn Sa'ud had not in the least shaken my conviction - a conviction on which I was prepared to stake my whole reputation, which was all I had to stake since I had already sacrificed my career by my fight for Arab independence - that, had he gone out to Arabia with President Roosevelt's firm offer, made on behalf of the American and British Governments, on the lines of "the plan", that offer would have been accepted. I could only draw the rather disappointing conclusion that the British and American Governments are not prepared to make the relatively light sacrifices involved in "the plan" even to save the Jews from persecution, torture and death. If, however, I am wrong on this point the opportunity presents itself for putting the matter to the test. If the two Governments are really desirous of an arrangement on the lines of "the plan" and are prepared to make to Ibn Sa'ud a firm offer in that sense, I am convinced that the King will accept it - but it must be a firm offer on the lines of "the plan", to be accepted or rejected as it stands without modification or bargaining. I have only my own conviction to pit against the views of Colonel Hoskins, but no harm can come of putting the matter to the test. Either "the plan" is accepted, or the status quo remains intact without prejudice to anybody. For my part, I guarantee (for what my guarantee is worth) that the suggested firm offer will be accepted if made by any reasonably intelligent person of indisputable goodwill on behalf of the two Governments concerned.

H. St. J. PHILBY.  
17.11.43.

SECRET.EXTRACTS FROM MINUTES OF THE 25TH OCTOBER, 1943.TALK WITH THE PRIME MINISTER:

Dr. Weismann said that there had been present at the lunch, besides Mr. and Mrs. Churchill, and Major Churchill, Mr. and Mrs. Attlee, Lord Portal, the Dowager Lady Reading, and another Labour man whom Dr. Weismann did not recognise. Dr. Weismann sat between Mrs. Churchill and Lord Portal. During lunch, Mrs. Churchill talked about Quebec and Orde and Lorna Wingate, and at one stage Mr. Churchill joined in by saying that he knew Dr. Weismann had wanted Orde Wingate for Commander-in-Chief of the Jewish Force, but they could not have him because he was wanted for other work.

After lunch the ladies retired and Mr. Churchill had introduced him to the other guests in very complimentary terms. The Prime Minister said it was a long time since he had seen him, and Dr. Weismann said it had been too long for him. Mr. Churchill then said that after they had crushed Hitler they would have to establish the Jews in the position where they belonged. He had had an inheritance left to him by Lord Balfour, and he was not going to change. Dr. Weismann said he did not think the Prime Minister would change, but there were dark forces working against them which might force the Cabinet's hand. Major Churchill said they were all only human, and none of them getting any younger; it was therefore necessary to act quickly. Mr. Churchill said they would have to take some chances. Turning to Dr. Weismann, he said: "You have some very good friends; for instance, Mr. Attlee and the Labour Party are committed on this matter." Mr. Attlee said he certainly was, adding that he thought something should be done about Transjordan. Mr. Churchill said he had been thinking about partition, but Transjordan was a good idea. He knew the terrible situation of the Jews. They would get compensation, and they would also be able to judge the criminals. As regards the position in the Near East he did not take for granted all the information that came from that part of the world. Mr. Attlee said to Dr. Weismann that some of his people were over-playing their hand; they were sometimes threatening. Mr. Churchill said they should not do that. He personally would prefer one good row. He would advise them not to have a series of rows. What they had to do was to watch the timing. He would not say publicly what he was telling Dr. Weismann now; there would be questions, and he would have to lose time explaining. They could quote his public utterances, and say that he would not budge from them.

Mr. Churchill repeated that they had a number of good friends: Mr. Attlee was committed, the Labour Party was committed, the Manchester Guardian was friendly, etc. He understood, however, that there were certain Jews in America who were opposed. He thought Dr. Weismann should try and win over Mr. Baruch. Mr. Churchill had talked to Mr. Baruch, and had told him that he was wrong, but had not succeeded in persuading him. Mr. Churchill went on to say that he was not going to change his views; he would bite deeply into the problem, and it was going to be "the biggest plum of the war."

When Mr. Churchill mentioned partition, Major Randolph and Dr. Weizmann demurred, and Mr. Churchill replied that he had been against it originally, but now they had to produce something new instead of the White Paper. He had not meant partition in the literal sense - he then mentioned something about the Negev and Transjordan.

Speaking of the Arabs, the Prime Minister said that they had done very little, and in some instances had made things difficult for us. He would remember this when the day of reckoning came. Mr. Churchill added that when the Palestine issue came up, he would speak out, and proceeded to give the headings of his speech. He finished off by saying that Dr. Weizmann need not worry - they had a wonderful case.

At one stage, Dr. Weizmann mentioned that anti-semitism was growing, and the Prime Minister said he thought it was not so, and Lord Portal agreed with him.

Mr. Churchill said they could not yet discuss details. On the subject of the Arms Trial, the Prime Minister clearly did not know the details, but said again that they should not threaten. He suggested that Dr. Weizmann should go to Palestine, adding jekingly that he had freedom of movement throughout the Empire.

At one stage Dr. Weizmann said that March 1944 was approaching, and he feared then to see a notice over the gates of Palestine: "No Jew need apply." From Mr. Churchill's reply it had appeared that they were thinking of carrying forward the balance of certificates after March 1944, and Mr. Churchill added that in a couple of months or so after that, something else might turn up.

Mr. Churchill quoted, during the talk, the saying that "God deals with the nations as they deal with the Jews." Mr. Churchill also said that of every fifty officers who came back from the Middle East, only one spoke favourably of the Jews - but that has merely gone to convince him that he was right.

When the party broke up, and Dr. Weizmann said goodbye, the Prime Minister said: "Not goodbye - au revoir", and that he would see Dr. Weizmann again. Dr. Weizmann said he was glad to hear that because he had understood that the Prime Minister was not very keen on seeing him, and sometimes urgent things arose which he could discuss only with him.

The lunch and the talk which followed lasted until 3.30 p.m.

-----oO-----

CONFIDENTIAL

MINUTE OF CONVERSATION WITH COLONEL HAROLD HOSKINS  
State Department Building-- Washington, D. C.  
December 28, 1943

Present: Col. Hoskins, Dr. Goldmann

Dr. Goldmann went to see Col. Hoskins at the latter's invitation.

Col. Hoskins said he had returned from London about ten days ago. He had seen Dr. Weizmann several times and he had asked Col. Hoskins to get in touch with Dr. Goldmann. He had reported to Dr. Weizmann on the result of his visit to Ibn Saud and wanted to give Dr. Goldmann the same report. He had discussed the Zionist problem with Ibn Saud and had proposed to him on behalf of the American government that Ibn Saud, or one of his representatives, meet with Dr. Weizmann, or other representatives of the Jewish Agency for Palestine. Ibn Saud had refused on two scores-- first, because of his generally antagonistic attitude toward Zionism, and, second, because Sir John Philby had come to see him in 1941 and, on behalf of Dr. Weizmann had offered him 20 million pounds (or dollars, the figure escapes me--NG), which he regarded as a personal insult to him. When Col. Hoskins saw Ibn Saud he did not know what the actual facts were and learned them only later in his conversations with Dr. Weizmann.

The real story is that Sir John Philby suggested to Dr. Weizmann that he be authorized to discuss with Ibn Saud the question of a loan for the development of Saudi Arabia; that Dr. Weizmann had discussed this proposal with British officials and had told Philby that if Ibn Saud would help the Jews, it should not be impossible that such a loan be arranged. It appeared that Philby, who had spent several months in Saudi Arabia without achieving anything, did not tell Ibn Saud that the idea of the loan originated with himself.

Col. Hoskins said that Dr. Weizmann felt that the President should be informed of the real facts and had wanted to give Col. Hoskins a memorandum to be submitted to the President, but since Col. Hoskins left England a few days before his scheduled departure the memorandum was not ready. He expects to get it through the American Embassy in London. In any case, Hoskins concluded, it is clear from his talks with Ibn Saud that the idea of using him as an intermediary was a mistake and that door must be regarded as definitely closed.

Dr. Goldmann said this was no surprise to the Jewish Agency. As Col. Hoskins might recall, in conversations with him and with Mr. Murray, Dr. Goldmann had said that the Agency was more than skeptical about Ibn Saud's taking a moderate stand; that Mr. Shertok had warned against the whole idea. However, since the State Department thought there was a chance, the Agency did not think it should prevent their trying it.

Col. Hoskins said that the idea about Ibn Saud had originated with Mr. Churchill who had discussed it with Dr. Weizmann in 1940. For this reason the President, after receiving his report, thought that Mr. Churchill and the British government, as well as Dr. Weizmann should be informed directly by Col. Hoskins about the failure of his mission; it was for this reason he had been sent to London.

Col. Hoskins said that now the situation was clarified and other avenues of approach will have to be found to bring about an understanding between Jews and Arabs.

The talk then turned to the general situation about

-Palestine-

Palestine. Col. Hopkins said he had talked with Nuri Pasha and other Arab leaders in Cairo and had seen Bengurion in Jerusalem; he also had had a long talk with Shertok in Cairo. On his way back from Saudi Arabia, he wanted to go back to Jerusalem to see Bengurion and Shertok, but in Basra he got a cable asking him to return immediately. He got the impression from his talks with the Arab leaders that it should not be impossible to bring about a peaceful solution of the Palestine problem through an understanding mutually acceptable to both parties. He thought the American government could be very useful in this respect as the Arabs have great confidence in America.

Dr. Goldmann said that since the beginning of the war, the Jewish Agency had taken the position that America and England should cooperate in securing a solution to the Palestine problem. The Agency never believed in playing America off against Great Britain, but did believe, and was encouraged by many of its best friends in Great Britain, that it would be difficult for Britain to find a way out of contradictory commitments, and it would be easier if there were joint Anglo-American responsibility.

Col. Hopkins said he fully agreed with this attitude and that such was the main purpose he and others had who suggested the joint statement about Palestine to be issued by America and Great Britain. He said: "I know you were against it and finally prevented it. But I would like you to know my motives; I would not want you and your friends to think I was anti-Zionist." He said he felt that such a statement would ease the tense situation in Palestine and would bring America definitely into the picture as ready to take a hand in the solution of the Palestine question.

Dr. Goldmann said that the intent to bring America into the scene was certainly laudable, but for this purpose it was not necessary to issue such a statement as was contemplated. It was unacceptable for three reasons: (1) the Zionists did not agree with the evaluation of the Palestine situation as being on the eve of civil war, with the Jews ready to provoke disturbances. Dr. Goldmann said he knew that Col. Hopkins felt that way because he had seen his report, but thought that the picture was exaggerated and rather hysterical. The fact that nearly a year had passed without any disturbances should convince him that he was too fearful.

Col. Hopkins said that Dr. Goldmann might be right, but he believed the situation was still tense and mentioned reports of the killing of Jews and Arabs in recent weeks. However, he said, his motive was a genuine desire to prevent anything which would interfere with the war effort, in which Dr. Goldmann was certainly as interested as he.

(2) Any joint statement between America and Great Britain, Dr. Goldmann pointed out, which does not indicate that the White Paper policy is changed, must be regarded as an endorsement of that policy by the American government.

(3) The warning to Jews and Arabs contained in the statement to discontinue public discussion would never have been accepted by Jews in this country or other countries; on the contrary, it would have antagonized Jews and created a breach between the Administration and Jewish public opinion, which should certainly be avoided.

If, Dr. Goldmann said, the British and American governments should issue a statement that both were ready to act jointly to solve the problem and that a new policy would be initiated in due course, no

one would object to it. But for the reasons already given, the statement as it had been drafted was certainly most objectionable.

Hoskins said that the matter was no longer<sup>a</sup> real issue; a decision had already been made against his position. However, he had raised it only to explain that whatever the differences, his motives were not anti-Zionist. He said his only aim was to be used as a mediator between Jews and Arabs and to help them reach a positive agreement.

Dr. Goldmann said this was again very laudable, but that in order for him to play such a role, he could not give the impression that he was biased against the Zionists and all Zionists had that impression. Dr. Goldmann drew his attention to various conversations with Senators and said that Zionists would have to regard him as hostile, he could not play the role which he wanted to play.

Dr. Goldmann then asked whether he thought the time had come for discussions in London between the Zionists and the British about the final solution.

He said he thought the time was rapidly approaching when such discussions could start and that the British attitude that they were not yet ready for such discussions was beginning to change.

He knew that Dr. Goldmann was planning to go to London and said that there he would get a real picture of the situation and would also realize that the moment for discussing an ultimate solution was approaching. He said he had also read rumors of some partition scheme to be discussed by various British officials and asked what the Zionist position was.

Dr. Goldmann explained why Zionists were now insisting on the maximum area in the whole of Palestine-- the problem is no longer one of gradual and slow immigration; after this war the problem will be one of mass transfer of homeless and uprooted Jews and a small part of Palestine would not serve the purpose.

Col. Hoskins said he thought the Arab leaders understood that the White Paper policy would not stand; on the other hand, the Jews cannot expect that 100% of their demands would be satisfied. Some concessions may have to be made to Arab demands.

Dr. Goldmann said that once the Arabs recognized the right of the Jews to return to Palestine, a basis would be found for agreement with them. However, discussion is of no use, so long as they do not know that the policy of the Jewish National Home will be supported by America and Great Britain. Once they know this, they will be ready to reach an agreement; but so long as they think that America and Great Britain will adhere to the White Paper policy, there is no basis for agreement.

Col. Hoskins said he agreed with this and that the main problem was for America and Great Britain to work out a formula.

Dr. Goldmann said that the Zionists should be kept informed about such a formula and not be faced with a fait accompli.

Col. Hoskins said he would remain in Washington and would be

glad if Dr. Goldmann would keep in touch with him.

Before leaving Dr. Goldmann made an appointment for Dr. Silver.

The interview lasted an hour and a half.

ED

Washington, D. C.

January 4, 1944  
3:15 p.m.

SIMPLIFICATION OF TAX REPORT

Present: Mr. Gaston  
Mr. Smith  
Mr. Blough

(The Secretary held a telephone conversation with Mr. Franz Schneider.)

H.M.JR: This is the damnedest conversation I have ever had on this Argentinian wheat. This is Lew Douglas' right-hand man. There are between seventy and eighty thousand tons of wheat in a stockpile in the Middle East for the Balkans. They say that the people in Italy are so hungry that, therefore, they have to go down to the Argentine to get it. He doesn't want to send any ships down to the Argentine because it is too long a haul. And we are giving twenty-odd ships a month to take wheat out of Canada to England; and England, knowing we are going to get the wheat and pay for it, says that the rail situation in Canada is very bad. "You can't do anything up there. Therefore, if you want any wheat you go down to the Argentine."

He says we have no traffic down there. There is traffic coming out of Australia, traffic coming out of Canada, but he said--all the English agencies play ball--they say, "Very sorry, if you want any, you go down to the Argentine."

MR. GASTON: They have between sixty and eighty thousand tons stockpiled?

H.M.JR: Right now.

The interesting thing is, this morning before Hull and Stimson met I called up Mr. Hull's office and got

- 2 -

part of this information. He must have gone to town, because McCloy has been doing nothing else all day. I said to Schneider, "Does Hull have this information?"

He said, "No."

MR. GASTON: They are talking about seventy-five million dollars' worth of wheat.

H.M.JR: About six hundred thousand tons.

MR. GASTON: About a tenth of that, stockpiled.

H.M.JR: But if it is stockpiled, they can draw on it. Why should they stockpile it when the Italians are hungry. When all this stuff is moving and they have offered to give them extra ships to Australia and some place--if they will relieve the thing-- Supposing they relieve it for a month, but the ships are all rolling.

MR. GASTON: After all, even two million bushels would feed quite a few people for a month.

H.M.JR: He says all the English agencies play ball and all play it against us, and they let us make the long hauls. The Canadian wheat is going out in our boats to England.

Well, I guess they thought it was serious enough that they had a meeting with Jimmy Byrnes because they wouldn't let me come in there. That is all right; they haven't got me licked yet.

All right, I am sorry.

MR. FLOUGH: This is much more prosaic.

H.M.JR: I don't want to get licked on this thing. The English go and tell Jack McCloy, "Every time we want anything, Morgenthau raises dollar balances. What has this got to do with dollar balances," they say.

- 3 -

All right, I will try to concentrate.

MR. BLOUGH: "The Treasury recommendations on simplification:" First, "Affecting March 1944 filing. The complexities of the March 1944 returns under the present law--" perhaps it should be "the extra complexities"--"are attributable to two major causes: (1) the Victory tax, and (2) the shift to a current payment basis. The Treasury has made several recommendations designed to simplify the March 15, 1944 returns. These include the following:

"1. Elimination of the postwar credit under the Victory tax.

"As originally enacted, the Victory tax contained a provision for a postwar refund. At the option of the taxpayer, however this credit could be claimed currently to the extent that he purchased war bonds, paid life insurance premiums, or reduced his indebtedness. The Treasury felt that the tax structure could be simplified without prejudicing revenues by providing that all taxpayers take the credit currently, since most persons had enough bond purchases or life insurance to take up the credit in full. This recommendation was enacted as Public Law 178, October 28, 1943."

H.M.JR: That doesn't interest me. That wasn't knocked out in the Senate, was it?

MR. BLOUGH: No, that was taken. We recommended it, and they took it.

H.M.JR: That doesn't interest me.

MR. BLOUGH: This is March, '44.

H.M.JR: Do you mind, in order to save my time-- I want to know what we can still do. What can still be done by Congress?

MR. BLOUGH: To simplify March, 1944?

H.M.JR: Yes, that is what I want.

- 4 -

MR. BLOUGH: To simplify the returns on 1943 income, nothing. To simplify declarations for 1944 income, the Victory tax could be eliminated entirely, which would reduce the declarations somewhat. It could adopt graduated withholding, which would reduce the number of declarations somewhat.

The second is perhaps more controversial.

H.M.JR: What I want you to do is try to do a speech like this for me. "My dear Mr. White, or Brown: On the 15th of March when you make your declaration for your 1944 income tax, the way the matter stands now, this is what you are going to have to do: We realize perfectly that there are fifty million people who are going to do this thing, and we realize you and I are busy and we have got a lot of things to do. It is up to your Government and Congress to make this thing just as painless as possible.

"Now, here are some of the things which we think can still be done by the Congress of the United States while considering this bill to make this burden on you easier, and I am going to take for example an average American family, a man, his wife, and two children, with an income of three thousand dollars.

"The way the matter stands now, this is what you would have to do if Congress doesn't take steps, and this is what we think should be done: This is what we have been recommending publicly should be done, and it will save you some operations." If you can talk that way, that instead of having fifty-five operations, if the Congress of the United States would do it this way-- "Frankly, ladies and gentlemen, we need your help. We have tried the best we can to impress on the Congress of the United States to do this. Unfortunately, we have been unsuccessful.

"This affects fifty million people, and if you think this is fair and just and good horse sense, you know what to do to have yourself heard." Now, that is the kind of thing--

- 5 -

MR. BLOUGH: Well, unhappily for the illustration you gave, I don't think you can say a single thing.

H.M.JR: Why not, God damn it?

MR. GASTON: Roy, you still have left the opportunity of urging what we have already urged, a single income tax schedule; abolish this minimum tax nonsense and abolish the Victory tax, and have a single set of exemptions and an integrated, normal and surtax, all one schedule. Then you can always advocate, can you not, that an arbitrary set of deductions, withholding in the full amount of the tax, for everybody that is employed on salaries and wages. We can do that, can't we?

MR. BLOUGH: To begin with, the 1943 returns are in the mail. Those are the returns that are filed March 15.

MR. GASTON: Sure, we can't do anything for '43. What about '44?

MR. BLOUGH: Now, for '44, to come up effective March 15, 1945, we can do a great deal. But for the family you mentioned--

H.M.JR: Now, listen, Roy, old boy, I have you around here because you have an original brain, one of the rarest things in this world. I want to do two things: I want to help, and I want to put the blame on Congress and take it off the Treasury, if we have something to do. Now, for God's sake, come through and do a little original thinking.

MR. BLOUGH: You flatter me on the original thinking but the fact of the matter is, it is now the 4th of January. These returns are due the 15th of March. The man and wife with three thousand dollars and two dependents, if he got his income from salary, will file no declaration of estimated income.

H.M.JR: Maybe I gave you a bad example. Give me a good example.

- 6 -

MR. BLOUGH: There are about fifteen million families in the country which will have to file declarations of estimated income on March 15. Those families' problem could be reduced, I am afraid I would have to say, to a minor degree, but it could be reduced if the Victory tax were integrated with the income tax in the way which the Treasury has recommended.

H.M.JR: For March 15, 1943?

MR. BLOUGH: The declarations due March 15, 1944.

H.M.JR: There is still time on that?

MR. BLOUGH: Yes.

H.M.JR: That is number one. By God, we have got something. You (Smith) keep score.

MR. GASTON: We can still pursue the other recommendations we have made as to progressive deductions at the full rate of tax.

MR. BLOUGH: If the Congress should start the deductions at a graduated rate, in which you would not deduct just the flat twenty percent, but you would deduct out of each bracket of income the amount, approximately, that should be paid, about two million of the twelve to fifteen million people who have to file declarations wouldn't have to file them, because their tax would be taken up in full through the withholding. Now, that is number two.

MR. GASTON: I would go further on that. I would make it withholding tax, and not require them to file returns unless they had supplemental income.

MR. BLOUGH: Now, there is something you can do, not for March 15, 1944, but something that certainly can be considered for March 15, 1945.

H.M.JR: If it is good--I don't understand it. If it is good, let's do it.

- 7 -

MR. BLOUGH: There are, of course, some questions as to the wisdom of that particular thing.

H.M.JR: It was Gaston's suggestion--

MR. GASTON: I know the obstacles you run up against. I know the interest payment deduction, for instance.

(The Secretary held a telephone conversation with Mr. Pehle.)

MR. BLOUGH: The best I can suggest--and the thing is a mess, March 15, any way you look at it. It is a mess, very largely because of this shift-over in the middle of the year under the Ruml plan. There is not very much you can do about that, unless they want to change that law all over again, which they aren't going to do, but I think the taxpayer could be encouraged that March 15's worst isn't as bad as it sounds, but let's get over that hump.

We can simplify it some, and then let's really simplify it.

H.M.JR: Supposing you went home and went back to the country to some old acquaintance of yours who said, "Now look, Roy, I grew up with you. I can't understand this thing. Will you explain it to me?"

And you could say in that kind of language, "Now look, Bill, this thing is a mess. This thing was a change-over to the Ruml plan in the last year. God knows, we in the Treasury fought the Ruml plan. We didn't want it, but we have it. It is an awful tough burden, but the 15th of March is the peak. Once you have crossed that ridge of mountains, the valley beyond isn't so bad.

"We have tried awfully hard to do some of the things, and here are some of the things which would make it easier if Congress would still do it. And I hope if you, Bill, agree with me, that you will get busy and let your Congressman know." Do it just as though you were sitting

- 8 -

down and talking to a school friend who might be a doctor and didn't understand this thing, knew that you were an expert in this field, and you were trying to explain it to him in a very colloquial, friendly kind of way. Some place in the speech I would certainly say, "Well, we in the Treasury have fought on this thing. At this place we were wrong; at some other place somebody else was wrong, but this is the thing."

Then you might even go to the extent of using the technique of having Bill ask you some questions and having the thing possibly a little bit original. Have it in the form of questions and answers so that I could take the thing on the radio.

"Now, Mr. Morgenthau, won't you explain this thing? I don't understand this thing."

"Well, it is like this, you see." Do it in kind of a homely, Indiana fashion.

MR. BLOUGH: Yes, I would be glad to do that.

H.M.JR: Do it so a country barefoot boy like Wendell Willkie could even understand it.

MR. BLOUGH: The thing I don't think we can hope to do is to make a big case of what we could get done for this March. I think we could make a big one for next March.

H.M.JR: But supposing this goes on the operating table. "Now, I am sorry you have got to have a couple of operations, but this first one is the worst. Once over that, the next one isn't going to hurt so much. I am sorry we have to take you through this one."

MR. BLOUGH: I think it is very desirable to do that.

H.M.JR: "Now, here is this operation. I am awfully sorry, but you are going to have to take all you can the first time. We have to cut your leg off. If you can stand

- 9 -

that shock, the next one won't be so bad. There are certain places where you can help us and help yourself if you can do certain things and get yourself in shape for the operation."

Have it in the form of questions and answers, nice and easy-going. You have some friends who graduated with you.

MR. BLOUGH: I can do that sort of thing.

H.M.JR: Think of the questions and answers, Mr. Blough. "Now, Mr. Morgenthau, this bothers me. You mean to say I have to do it? Now, why do I have to do it this way? Why are there so many things?" Go through that thing in that way.

Will you take another crack at it?

MR. BLOUGH: I will take a crack at that. I didn't know that was what you wanted done.

H.M.JR: I was groping for what I wanted. How many other things do you have to do right now?

MR. BLOUGH: About a million.

H.M.JR: Make this the millionth and one, but put it first, will you?

MR. BLOUGH: All right, sir.

MR. GASTON: The last in and first out, Roy.

MR. BLOUGH: I will tell you what I will do. I will dictate a draft of the kind of thing you are talking about. I have a very good fellow who can handle that sort of thing better than I can, and I will let him work on it.

H.M.JR: Who is that?

MR. BLOUGH: Walter Heller.

- 10 -

H.M.JR: Is he the one who helped Sullivan on this question and answer round table?

MR. SMITH: They all worked in our shop.

MR. BLOUGH: Incidentally, he is to be drafted.

H.M.JR: What is his age and family?

MR. BLOUGH: Unhappily, he is a pre-Pearl Harbor father with one child. He is only twenty-eight. He has bad eyes, and in the pre-induction test they forced his test. His eyes are twenty-seven hundredths in one and twenty-eight hundredths in the other, and they forced it down to twenty-two hundredths in one and twenty-four hundredths in the other. They may take him for limited service. It is really a shame.

MR. GASTON: He is very near-sighted.

MR. BLOUGH: He can't see across the room.

H.M.JR: Well, have him re-examined.

MR. BLOUGH: Well, we are going to take care of that side of it.

H.M.JR: Are you having him re-examined?

MR. BLOUGH: He will be examined just as soon as the new regulations are effective.

H.M.JR: Is he the case I have heard about?

They say, "We have received orders to do this for all Government agencies."

MR. BLOUGH: It is partly about him and partly about a friend of his, but he is the man.

H.M.JR: Is he being re-examined?

MR. BLOUGH: They have moved him to Richmond. I am not sure he will be re-examined.

- 11 -

H.M.JR: What is his name?

MR. BLOUGH: Heller. This is the sort of thing he does beautifully. I would turn it over to him after I have a rough draft.

(The Secretary held a telephone conversation with Mr. W. N. Thompson.)

H.M.JR: They have asked for a stay.

MR. BLOUGH: Good, fine.

H.M.JR: Herbert, what do you think of this approach?

MR. GASTON: You would like to make a speech?

H.M.JR: Yes, provided it is a good one and I have something to say.

MR. GASTON: Well, the greater part of our recommendations were not accepted by the committees, and there is a crying need for simplification. I think it would be very popular, and I think it would be a very good thing to tell the people what can be done, what has been done, and what can be done that Congress hasn't done.

MR. BLOUGH: I would use it primarily not as something to get after Congress, but as something to educate the taxpayer in what he is up against, that this is the worst, and there are a lot of things. Even without any change, it will get better, but there are a lot of things that could be done that we have recommended for the future, and some we haven't, which would fix it up.

H.M.JR: That is it.

Fred?

MR. SMITH: I would like to see it.

H.M.JR: Do you have what I want now?

- 12 -

MR. BLOUGH: I think I have what you want. How long would this be?

H.M.JR: Don't worry about the length. Give me the job and we will take care of the length.

MR. BLOUGH: How long will you give me?

H.M.JR: Today is Tuesday. I will give you until Thursday.

MR. BLOUGH: All right.

MR. SMITH: You heard him say the sun sets at five thirty-one.

January 4, 1944

MEMORANDUM FOR THE SECRETARY

Subject: Treasury recommendations on simplification.

Affecting March 1944 filing

The complexities of the March 1944 returns under the present law are attributable to two major causes: (1) the Victory tax, and (2) the shift to a current payment basis. The Treasury has made several recommendations designed to simplify the March 15, 1944 returns. These include the following:

1. Elimination of the postwar credit under the Victory tax

As originally enacted, the Victory tax contained a provision for a postwar refund. At the option of the taxpayer, however this credit could be claimed currently to the extent that he purchased war bonds, paid life insurance premiums, or reduced his indebtedness. The Treasury felt that the tax structure could be simplified without prejudicing revenues by providing that all taxpayers take the credit currently, since most persons had enough bond purchases or life insurance to take up the credit in full. This recommendation was enacted as Public Law 178, October 28, 1943. (See Appendix A)

2. Simplification of the Victory tax rate

The Victory tax rate after credit is 3.75 percent for a single person and 3 percent for married persons, reduced in either case by 0.1 percent for each dependent. At the time that Public Law 178 was under consideration, the Treasury indicated as one method of simplifying the Victory tax, the substitution of a single flat rate of 3 percent for the variety of rates imposed under that tax. The Congress took no action on this at the time. However, this suggestion has now been given effect to in the Senate Finance Committee Bill. (See Appendix A)

- 2 -

3. Simplification of declaration by eliminating Victory tax

The adoption of the Treasury's recommendation to integrate the Victory tax with the income tax would also have resulted in a simplification of the declaration of estimated tax for 1944. In preparing that estimate it would no longer be necessary to compute the Victory tax.

4. Reduction in number of declaration filers under graduated withholding

The present law withholding rate of 20 percent covers Victory tax, normal tax, and surtax at the first bracket rate only. Where wages or salaries are of amounts that render the taxpayer liable for surtax at higher rates, withholding does not ordinarily result in complete discharge of liability. Where the taxpayer has such higher amounts of wages or salary, he is therefore required to file a declaration of tax and to pay on a current basis quarterly.

In his statement of October 4, 1943, the Secretary recommended to the Ways and Means Committee that graduated withholding be adopted so as to obtain full collection at the source from such wage or salary earners. If this recommendation had been adopted, 2 million additional taxpayers would have been relieved of the necessity of filing declarations in March 1944.

- 3 -

Affecting March 1945 filing

In addition to the simplifications of returns and declarations filed on March 15, 1944, the adoption of the Treasury recommendations would have resulted in further simplification of returns filed March 15, 1945, in the following respects.

1. Integration of the Victory tax

The Secretary in his statement of October 4, 1943 before the Ways and Means Committee, and Mr. Paul before the Senate Finance Committee, recommended that the Victory tax be absorbed into the regular income tax. This recommendation involved no loss of revenue and at the same time would have eliminated the complexities resulting from the computation of the separate Victory tax. The House bill eliminates the Victory tax but substitutes a 3 percent minimum tax that introduces complications even more serious than those that exist under the Victory tax. The Senate Finance Committee bill retains the Victory tax but modifies it to a flat 3 percent levy on gross income in excess of a \$624 exemption, as recommended by the Treasury in October in connection with Public Law 178.

2. Repeal of the earned income credit

The Secretary also recommended before the Ways and Means Committee that the earned income credit be repealed as an unnecessary complication of the income tax law. The repeal of the earned income credit was provided in the House bill and approved by the Senate Finance Committee. (See Appendix B)

3. Consolidation of normal and surtax rate schedules

The Treasury also recommended that the normal tax and the surtax be consolidated into one tax schedule. In addition, it was recommended that the double feature of normal tax net income and surtax net income give way to a single concept of net income. Under this proposal, the taxpayer would deal with only one net income figure and one graduated rate schedule in computing his income tax. Neither the House nor the Senate Finance Committee acted on this recommendation. (See Appendix C)

Roy Blough

Appendix A

## Victory tax

I. As originally enacted, the Victory tax contained a complicated postwar credit feature. Although the total Victory tax rate was 5 percent the net rate varied for different family statuses. Furthermore, the taxpayer could take the postwar credit currently to the extent of his bond purchases, life insurance premiums, and debt reduction. Computation of the tax involved therefore:

- (1) Subtraction of the Victory tax exemption from gross income.
- (2) Multiplication of the taxable amount by a rate.
- (3) Totalling of amounts of bond purchases, life insurance premiums, and debt reduction.
- (4) Comparison of the total found in the step above with another figure derived by applying a percentage to the Victory tax.

II. The effect of Public Law 178 adopted on October 28, 1943, as a result of Treasury recommendation, was to eliminate steps (3) and (4) above.

III. Under the provision in the Senate Finance Committee bill, changing the Victory tax rate to a flat 3 percent in accordance with a Treasury recommendation, computation of Victory tax would be simplified further. For all taxpayers, a 3 percent rate would be applied to the gross income less the \$624 exemption.

Appendix B

## Earned income credit

Substantial simplification of the steps necessary in computing tax liability is accomplished by the elimination of the earned income credit. To compute the normal tax, if the credit is not eliminated, involves:

- (1) Subtraction of personal exemption from net income.
- (2) Further subtraction of 10 percent of the earned net income (with complicated provisions relating to the limitation of the credit and the assumption that the first \$3,000 of net income is all earned income.)
- (3) Multiplication of the balance by 6 percent.

Under the Treasury proposal the need for step (2) is eliminated.

Appendix C

## Consolidation of normal tax and surtax schedules

Under present law it is necessary for the taxpayer to determine his net income, then to subtract the personal exemption and credit for dependents to arrive at surtax net income and then to subtract further the earned income credit and the credit for partially tax-exempt interest to arrive at normal tax net income. To the normal tax net income, a 6 percent rate is applied; to the surtax net income, the graduated surtax rates are applied. With the elimination of the earned income credit, it becomes possible to eliminate dual tax bases and rates. Under the Treasury proposal, the taxpayer would determine merely his net income and would then apply one rate which combined the present normal and surtax rates.

January 5, 1944

MEMORANDUM FOR THE SECRETARY

From: Mr. Paul

In accordance with a request from Chairman Vinson of the House Naval Affairs Committee, the Treasury has prepared three bills limiting profits on naval contracts and subcontracts. These bills, together with a letter from me, a copy of which is attached, were given to Mr. Vinson by Mr. Gordon Keith of the Division of Tax Research on January 3rd. In my letter I explained that the work of the Treasury on these bills had been in the nature of a technical service. Mr. Vinson said that he understood that they could not be viewed as reflecting Treasury policy.

Two of the three bills were adapted with minor modifications from bills which Mr. Vinson, himself, introduced in 1941 and 1942. The first of these bills limits profits to 2-1/2 percent of sales for aircraft, 3 percent for naval vessels, and 4 percent for all other contracts and all subcontracts. These percentages would determine the amount of profits which the contractors would be permitted to retain after taxes. The second bill is somewhat similar to the first except that it makes an allowance for varying amounts of invested capital and capital turnover.

The third bill which is entirely new limits profits in terms of the actual rate of return on sales in the base period. The base period rate of return is allowed on sales not in excess of average sales for the years 1936-1939. One-half of the base period rate of return is allowed on sales in excess of average base period sales. The second and third bills would determine the amount of profits contractors would be allowed to retain before income and excess-profits taxes.

- 2 -

Mr. Vinson was inclined to prefer the first bill as being the one which would be most easily understood by the contractors. However, when it was pointed out to him that the final determination of excessive profits under this bill would have to wait until a final determination of tax liability could be made, his preference shifted to the third bill. He seemed to have little interest in pushing a bill of the second type at this time. He proposes to give further study to both the first and third bills and to advise us if he desires any further technical assistance from us in this matter.

(Initialed) E.B.F.

EGK-mb  
1/5/44

January 1, 1944

My dear Mr. Vinson:

In accordance with your request for drafts of bills limiting profits on Naval contracts and subcontracts, three different versions have been submitted to you. You understand, of course, that the submission of these bills by this Department does not constitute endorsement of them.

The first bill limits profits after taxes to a specified percentage of the total amount accrued or received by the contractor under Naval contracts in each of his fiscal periods. The percentage limitation is 2½ percent for aircraft, 3 percent for Naval vessels, and 4 percent for all other contracts and all subcontracts. The basic structure of the bill would be that of H.R. 5781, 77th Congress, 1st Session, which you introduced on October 7, 1941. The section submitted would substitute for Section 3(a) in that bill.

The second bill is the one you submitted to the Senate Committee on Finance on September 22, 1942, which, you will recall, makes allowance for varying amounts of invested capital and capital turn-over. Under this bill, the contractor must repay all profits before Federal income taxes in excess of 8 percent of costs incurred under these contracts in the contractor's fiscal year. In addition, the contractor is allowed 10 percent of the undepreciated value of his fixed capital, and an allowance, up to a maximum of \$6,000, for the length of time it takes to complete the largest contract held by the contractor.

The third bill is entirely new. Under this bill profits before taxes are limited to a computed rate of return on amounts received or accrued under Naval contracts by the contractor. The rate of return allowed is the average of two rates of return: the first is the actual rate of return on sales in the base period, but no more than 15 percent nor less than 5 percent; and the second is the rate of return, on the current volume of sales under Naval contracts, which would result in total profits equal to the average total

- 2 -

profits in the base period. Thus, on that portion of current sales not in excess of average base-period sales, the contractor may earn his base-period rate of return; and on that portion of sales in excess of his average base-period sales, the contractor is allowed to earn 50 percent of his base-period rate of return. This formula would restrict the profits on naval contracts in accordance with the rate of return earned by the contractor in the base period, but would at the same time provide an incentive for increased production by allowing the contractor to retain 50 percent of those additional profits arising solely from increase in sales volume.

You will understand that our work on these bills has been in the nature of a technical service, and that they are not to be viewed as reflecting Treasury policy.

Very truly yours,

/s/ Randolph E. Paul

Randolph E. Paul  
General Counsel.

Honorable Carl Vinson,

House of Representatives.

cc-Mr. Harry White.

83 ✓  
January 4, 1944  
3:22 p.m.

HMJr: Hello.

Franz  
Schneider: Hello.

HMJr: Mr. Schneider?

S: That's right.

HMJr: This is Henry Morgenthau.

S: Yes, Mr. Secretary.

HMJr: I've been very much interested in this wheat  
which the Army is trying to buy for Italy.

S: Yes.

HMJr: I don't know if you know anything about it.

S: Yes, I'm quite familiar with it.

HMJr: Well, I don't care where the hell you get it  
as long as it isn't the Argentine.

S: Well, we've told them we didn't want to lift it  
in the Argentine, that it was a very expensive  
place for us to lift it from a shipping stand-  
point.

HMJr: What was the word you used?

S: That it was a very expensive place to lift it  
from a shipping standpoint.

HMJr: Yeah.

S: In order to do that, we have to send a ship out  
to get it.

HMJr: Yeah.

S: Because we don't have them coming back that way,  
you see?

HMJr: Well, who did you tell that to?

S: Well, we've told that to various representatives  
of the Army and this noon I told it again to  
Under Secretary of -- Assistant Secretary McCloy.

HMJr: Oh, good. Jack McCloy is on this?

S: Yes, he was at -- they had a meeting over in Mr. Byrnes' office this noontime with -- they had Marvin Jones there and Mr. Russell and they had Jack McCloy and General McSherry and a Colonel from the Army who has been looking after the requirements on this side.

HMJr: I see.

S: And we told them that Argentina was a very inconvenient source for us to lift wheat from.

HMJr: Well, that's fine. Now, why can't you get it in Canada?

S: Well, that's what we've been pressing Marvin Jones that he should tell the British, or the Combined Food Board, that they should let them have part of this wheat out of Canada.

HMJr: Yes.

S: And not let the British have the monopoly on that short-haul wheat, you see? They want to get it all for the U.K.

HMJr: I see. Well....

S: But if they -- if we could get some of that wheat in Canada that they have -- that they control, then we could take that wheat and they could, maybe, go and get a little wheat in Argentina if they felt like it.

HMJr: Yeah. Somebody told me -- I don't know who -- that the Food Board couldn't get it in Canada because the rail-haul was too long.

S: Well, they -- the British are loading 230,000 tons of wheat out of Canada this month and we're giving them 20 ships up in St. John and Halifax to help them do it.

HMJr: I see.

S: And we think that our people ought to get part of that wheat for Italy.

HMJr: Good. Now, let me ask you something else. I'm a little rusty on this thing. Is there any wheat anywhere else other than Canada?

S: Yes, there's wheat in Australia.

HMJr: Yeah.

S: And the British are now taking 35,000 tons a month from Australia to the Middle East to stock pile.

HMJr: Yeah.

S: Against Balkan relief, and we say that after they have a month or six weeks stock pile there, that that wheat should be allowed -- just keep the boat going and come to Italy with it.

HMJr: Against Balkan relief?

S: Yes, against Balkan relief.

HMJr: Well, that's damn nonsense.

S: That's what I think.

HMJr: That's just damn nonsense.

S: Yeah.

HMJr: How much wheat is there right now, stock pile in the Middle East?

S: Well, I think there's about 70 or 75,000 tons stock piled in the Middle East.

HMJr: In the Middle East?

S: In the Middle East, yeah.

HMJr: You don't know what port?

S: No, I don't know just what port it is.

HMJr: Well, if the Army wanted to, they could move -- if their people are as hungry in Italy as they say they are, they could move right in the Middle East and take some of that.

S: Yes, these boats are moving now from Australia to the Middle East with this wheat, and we told the British at Cairo that if they put that wheat down in Italy....

HMJr: Yes.

S: ....if they could get hold of it, that we'd give them five sailings in the North Atlantic to compensate them for the extra distance. It would much more than compensate them for the extra distance.

HMJr: What could be fairer?

S: No. That's right.

HMJr: Did you tell that all to Byrnes?

S: Yes, we told it all there, and we also told him that there's -- when we were in Cairo, we learned there was 80,000 tons of wheat in Syria and about 20,000 tons of other grain there which is being held for somewhat higher price, but that was also available if they wanted to buy that.

HMJr: Well, I -- you know, this thing has been kicking around in Washington, as near as I can figure out, for two months.

S: Yeah.

HMJr: Then McSherry comes back and says the people are hungry, which I am sympathetic....

S: Right.

HMJr: ....to and with.

S: Right.

HMJr: But, I think it's terrible, at this time, to dump \$75 million in the Argentine.

S: Well, I think so and it's -- it's a very bad source from our standpoint to go and get it from....

HMJr: Was anybody there from the State Department?

S: No, there wasn't.

HMJr: Would it be asking too much if I could have a little memorandum of what you've told me?

S: I'd be very glad to, Mr. Secretary.

HMJr: And what I'd like -- may want to do with it, I may want to -- for two purposes -- I may want to send it to the President and to Mr. Hull.

S: Yes. Fine. Well, I'll write one up and send it over to you.

HMJr: When do you think I'd get that?

S: Oh, I'll write it this afternoon and you ought to get it before evening, I should think, then.

HMJr: That or the very first thing in the morning.

S: All right, Mr. Secretary.

HMJr: I'd appreciate that because I think the English have been a little too smart on this.

S: Well, they play team ball together, you know.

HMJr: (Laughs)

S: All their agencies get together. The Food Board always does the thing that will help out the Shipping Authorities.

HMJr: Yeah.

S: But our people don't do that and the Army can ruin our end on negotiation by going ahead and buying 170,000 tons of wheat in this market and saying they're shipping it, you see?

HMJr: Yeah. Well, thanks very much and when Lew Douglas comes back be sure and tell him I want to wish him a Happy New Year.

S: I will, Mr. Secretary.

HMJr: Same to you.

S: Thank you very much.

O

January 8, 1944

Photostats to Mr. Dunn and Mr. McCloy

WAR SHIPPING ADMINISTRATION  
WASHINGTON

January 4, 1944

MEMORANDUM for Secretary Morgenthau

Subject: Wheat for Italy

Confirming our conversation of this afternoon, allow me to state the following:

1. From our shipping standpoint, Argentina is a very expensive source of wheat for Italy. The War Shipping Administration has no surplus supply of ballasters available in the region and would have to send the necessary ships out from the United States. We have told the Army that we are not prepared to lift wheat for them in Argentina.

2. Other sources of supply

- a. Canada - While the War Food Administration has been unable thus far to secure additional supplies of Canadian wheat for its purposes, the British are continuing to take large amounts. January shipments of 228,000 tons for United Kingdom are scheduled, and War Shipping Administration is placing twenty (20) ships in the Maritime Provinces during January to assist in this movement. Stocks of wheat, dilution grains and flour (as flour), in the United Kingdom on September 30, 1943 amounted to twenty-five (25) weeks' supply.

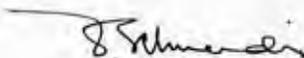
War Shipping Administration has arranged to load four cargoes of wheat from Vancouver to Italy during the next two or three weeks and has offered to move two cargoes of flour in the same area if flour is available. It was able to do this on account of a temporary surplus of ships on the Pacific Coast which was caused by failure of military authorities to provide cargo for all the ships they had requested.

- b. Australia - The British are now moving wheat from Australia (where there is a surplus) to the Middle East to stockpile for prospective Balkan relief at the rate of 35,000 tons a month. It is the War Shipping Administration

- 2 -

contention that, after providing a stockpile of 35,000 to 50,000 tons, this wheat should be kept moving so as to land it in Italy. At SEKTANT, War Shipping Administration offered to provide the British Ministry of War Transport with five sailings in the North Atlantic for every 35,000 tons so diverted from the Middle East to Italy. We understand that there is now a stockpile of approximately 75,000 tons in the Middle East.

- c. War Shipping Administration has been credibly informed that there are in Syria 80,000 tons of wheat and 20,000 tons of other grains that are being held for a higher-than-market price, but which are for sale.



F. Schneider  
Associate Deputy Administrator

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Jan. 4, 1944

TO Secretary Morgenthau  
 FROM Mr. Hays  
 Subject: Wheat surpluses available for shipment to Italy

This is submitted in response to your request of January 4 for information on possible sources of supply for \$75,000,000 of wheat to ship to Italy.

We have obtained the following information from Mr. E. J. Murphy, Chief of the Grain Products Branch, Food Distribution Administration:

There is no wheat surplus available in the United States, taking into account the present export program and the need for minimum reserves. While it might be possible to export some additional quantity from the United States, provided it were replaced later, this would place a double burden on the transportation system. Under the liaison arrangement between the WFA and the Army purchasing authorities, all resources of the United States are already being thoroughly explored and used to supply the needs of the Army in Italy.

The largest world surplus of wheat is in Canada. Argentina has the second largest, and there is a moderate surplus in Australia. Any one of these countries could easily spare the quantity of wheat involved in a total value of \$75,000,000. The Canadian surplus is in the Western Provinces, and would need to be shipped out by boat from a western port such as Vancouver. The surplus in Eastern Canada is practically all tied up by the British purchasing agency, and movement from the Western Provinces to the East will be held up until the lakes open in the spring.

While an abundant surplus of wheat is available in Western Canada, arrangements would need to be made with Canadian authorities to see that sufficient wheat were moved to the ports for shipment. Mr. Murphy mentioned that the Army and the WFA had explored the possibility of getting wheat from Canada as compared with buying from other countries, in connection with the Army's immediate purchasing program. If there were no objections to purchasing from Argentina, Mr. Murphy felt that this country offered the better source of supply at present, since prices there are cheaper and the shipping distance somewhat shorter.

January 4, 1944  
3:40 p.m.

John  
Pehle: ....I found that that cable had not gone out at  
State. That was my mistake. It's on Riegelman's  
desk.

HMJr: Yes.

P: And we are proposing to change the last paragraph  
of it to read this way -- I've already cleared it  
with DuBois and with Mr. Paul.

HMJr: Yes.

P: "These operations have the approval of the  
Department and of the Treasury and you should  
take all reasonable steps to facilitate them."

HMJr: That's right.

P: Okay?

HMJr: Now....

P: Let me -- may I tell you one other thing?

HMJr: If -- well, can you hold that a minute?

P: Yes, sir.

HMJr: But you tell Riegelman that sunset's at 5:31  
today.

P: 5:31 -- all right.

HMJr: Yeah.

P: All right. I'll tell him that.

HMJr: And that's got to go before sunset.

P: All right.

HMJr: And no damn fooling.

P: I'll tell him in those words.

HMJr: Just like that.

P: Now, he said that Mr. Long....

HMJr: Yeah.

P: ....had designated him....

HMJr: Yes.

P: ....Riegelman, as the man to be the liaison with the Treasury on all of these matters, and that Mr. Long said that he could break in on Mr. Long at any time in order to clear them, and that he was to give the Treasury whatever it wanted, but that Riegelman was to be the liaison man.

HMJr: Well, what's the matter with that?

P: It's all right except I would prefer to still send things to Breckenridge Long but to Riegelman's office, in an outer envelope addressed to Riegelman. I think it looks better to send things to Mr. Long.

HMJr: Mr. Long, attention of Riegelman.

P: Yes, sir.

HMJr: That's all -- Riegelman told Breckenridge Long he was related to me.

P: Yes. Did he get a response?

HMJr: As I understand it, Riegelman -- Long said to Riegelman, "That's fine. They'll be less suspicious of us over in the Treasury."

P: (Laughs) He didn't say, "Only more so," did he?

HMJr: No.

P: No.

HMJr: But just remind him that sunset's at 5:31 and that thing is to go before, because I don't want it held up now.

P: All right. I'll do that.

HMJr: And....

P: I think this makes your point and I think the point is a very valid one.

HMJr: Well, it's fun working with you because you will take suggestions.

P: Well, it's a very good suggestion. I think it puts them right in a spot. I mean, if they don't want to say they approve this program, why they ought to have to come out and say it.

HMJr: Well, I think it's important.

P: Yes, it is.

HMJr: And it was put in in the first place and has set a good precedent and I think that we should continue to use that form.

P: Well, we will.

HMJr: See if you can't get it out tonight.

P: I will do so.

HMJr: Thank you.

P: All right.

January 4, 1944

MEMORANDUM FOR THE SECRETARY'S FILES:

Attached (Exhibit A) is a copy of a cable sent to Mr. Long of the State Department by the undersigned under date of January 3, for dispatch to the American Legation at Bern.

A copy of this cable was sent to Secretary Morgenthau who called a meeting in his office at 2:45 p.m., January 4, to discuss the cable. At his suggestion the last paragraph was reworded so as to make it clear that the operations in question have the approval not only of the Treasury Department but also of the Department of State. Attached (Exhibit B) is a copy of the cable as revised. The changes in the cable were telephoned to the State Department at 3:55 p.m. on January 4.

*J. A. T. E. L. C.*

CABLE TO BERN

Please transmit promptly to Saly Mayer, representative of the American Jewish Joint Distribution Committee, St. Gall, Switzerland, the following which is the text of a license which has been issued by the Treasury Department to the American Jewish Joint Distribution Committee: (Text of license begins):

- Swiss francs at the prevailing unofficial rate of exchange in Switzerland for French francs.
- "1. In order to arrange for the evacuation to places of safety of persons in France whose lives are in imminent danger and, pending possible evacuation, to sustain and safeguard the lives of such persons, your representative in Switzerland (including such agents as he may appoint) is hereby licensed notwithstanding the provisions of General Ruling No. 11 to communicate with persons in France in any manner he deems necessary or expedient and to take all other appropriate action, including the payment to persons in France of French francs for goods and services. The necessary French franc funds to finance such operations may be obtained by either of the following two methods:
- (a) The first method is the purchase of French francs from persons in Switzerland who your representative, after consulting with the United States Legation in Bern when feasible,

- 2 -

is reasonably certain have held such French francs since prior to the fall of France or have since acquired such francs in such manner as has not benefited the enemy. The sellers of such francs may be reimbursed therefor in Swiss francs at the prevailing unofficial rate of exchange in Switzerland for French francs.

- (b) The second method is the acquisition of French francs from persons in France or elsewhere for which reimbursement will not be made until after the war. In order to insure reimbursement after the war to the persons supplying such francs, blocked accounts may be established on your books in the United States, or in a bank in the United States or a bank in Switzerland. No payments may be made from any such blocked account without the specific approval of the Treasury Department and no assignments may be made of any interest in such blocked account without such approval.

2. The total amount of dollars or Swiss francs paid out or set up in blocked accounts or otherwise obligated

under the terms of this license shall not exceed 2,500,000 Swiss francs, or the dollar equivalent thereof, during the six months' period beginning January 1, 1944.

3. Your representative should keep the American Legation in Switzerland fully informed with respect to the financial transactions effected under this license. In so far as feasible your representative should make certain that the persons from whom the French francs are purchased are acceptable to the Legation. Your representative should satisfy himself that payments to such persons will not benefit the enemy.
4. Periodic reports with regard to any operations engaged in under this license should be filed with the Treasury Department by your representative through the United States Legation in Bern." (End of text of license.)

Please advise Saly Mayer that this license has been issued by the Treasury Department in order to clarify the procedure to be followed by him in connection with the acquisition of French francs for use in relief and evacuation operations in France and that the Treasury Department will consider requests to increase the total amount of dollars

or Swiss francs specified in paragraph (2) of the license.

Please take all reasonable steps to facilitate these operations and promptly report to us the progress being made and any difficulties encountered, particularly in connection with the financial operations involved.

CABLE TO BERN

Please transmit promptly to Saly Mayer, representative of the American Jewish Joint Distribution Committee, St. Gall, Switzerland, the following which is the text of a license which has been issued by the Treasury Department to the American Jewish Joint Distribution Committee: (Text of license begins):

"1. In order to arrange for the evacuation to places of safety of persons in France whose lives are in imminent danger and, pending possible evacuation, to sustain and safeguard the lives of such persons, your representative in Switzerland (including such agents as he may appoint) is hereby licensed notwithstanding the provisions of General Ruling No. 11 to communicate with persons in France in any manner he deems necessary or expedient and to take all other appropriate action, including the payment to persons in France of French francs for goods and services. The necessary French franc funds to finance such operations may be obtained by either of the following two methods:

- (a) The first method is the purchase of French francs from persons in Switzerland who your representative, after consulting with the United States Legation in Bern when feasible,

is reasonably certain have held such French francs since prior to the fall of France or have since acquired such francs in such manner as has not benefited the enemy. The sellers of such francs may be reimbursed therefor in Swiss francs at the prevailing unofficial rate of exchange in Switzerland for French francs.

- (b) The second method is the acquisition of French francs from persons in France or elsewhere for which reimbursement will not be made until after the war. In order to insure reimbursement after the war to the persons supplying such francs, blocked accounts may be established on your books in the United States, or in a bank in the United States or a bank in Switzerland. No payments may be made from any such blocked account without the specific approval of the Treasury Department and no assignments may be made of any interest in such blocked account without such approval.

2. The total amount of dollars or Swiss francs paid out or set up in blocked accounts or otherwise obligated

under the terms of this license shall not exceed 2,500,000 Swiss francs, or the dollar equivalent thereof, during the six months' period beginning January 1, 1944.

3. Your representative should keep the American Legation in Switzerland fully informed with respect to the financial transactions effected under this license. In so far as feasible your representative should make certain that the persons from whom the French francs are purchased are acceptable to the Legation. Your representative should satisfy himself that payments to such persons will not benefit the enemy.
4. Periodic reports with regard to any operations engaged in under this license should be filed with the Treasury Department by your representative through the United States Legation in Bern." (End of text of license.)

Please advise Saly Mayer that this license has been issued by the Treasury Department in order to clarify the procedure to be followed by him in connection with the acquisition of French francs for use in relief and evacuation operations in France and that the Treasury Department will consider requests to increase the total amount of dollars

or Swiss francs specified in paragraph (2) of the license.

These operations have the approval of the Department and of the Treasury and you should take all reasonable steps to facilitate them. Please promptly report to us the progress being made and any difficulties encountered, particularly in connection with the financial operations involved.

January 4, 1944  
3:49 p.m.

Operator: Go ahead.

Norman  
Thompson: Yes, sir.

HMJr: I was asking Roy Blough to do some work for me and he said the best man equipped in his office is a fellow named Walter Heller....

T: Oh, yes.

HMJr: ....who, he says, that they forced down his eyesight -- I mean, it was -- made it seem much better than it is. Are you familiar with the case?

T: Yes, I am familiar with it....

HMJr: Well, is....

T: ....and we have today asked the Board to defer action on that until we can get up to you the question of whether you'll grant a deferment for him or not.

HMJr: How long did you ask the Board to do it?

T: Sixty days. They have a regular standard sixty-day defer....

HMJr: How -- can -- what about the thing that General Hershey said about getting a -- a real medical examination for him?

T: They haven't worked that out yet but we are doing that as we used to do it by sending them over to Fort Meyer.

HMJr: Yeah.

T: And he's been through that and as a result of all that, they are still taking him....

HMJr: I see.

T: ....on this limited-service basis.

HMJr: But you're going to -- you're going -- you asked for sixty days?

T: We have asked for the stay of induction until we can settle the question of a deferment.

HMJr: Okay.

T: So he's all right until -- until we can clear it with you.

HMJr: Thank you.

T: Thank you, sir.

January 4, 1944  
4:10 p.m.

BRITISH DOLLAR BALANCES

Present: Mr. White  
          Mr. Currie  
          Mr. Crowley  
          Mr. Cox

H.M.JR: As far as I know, the only thing new is the very last paragraph, which is not in "Churchillian" English, but in "White" English.

MR. COX: You didn't "concert" to act with the FEA?

H.M.JR: What I talked to you on the phone about, Sunday.

MR. WHITE: I am sure you could rewrite it.

H.M.JR: He hasn't time.

MR. WHITE: Are you going to mark out the last sentence? Apparently it isn't good. They have to read it at least twice.

H.M.JR: I read it three times.

MR. COX: It is all right. The only change I have would be to say, "...certain other controversial items."

MR. CROWLEY: Then again, he will stretch his own imagination. We don't have to worry about that too much.

MR. COX: I wouldn't rewrite it for that purpose, but if you are going to make any changes--

- 2 -

MR. CROWLEY: What do you want to do, initial it?

H.M.JR: I think we will sign it.

MR. CROWLEY: All right; give me a pen.

MR. CURRIE: Notice, Mr. Secretary, we put in a new item there - "(e) tobacco for the Armed forces."

MR. WHITE: Yes, you mentioned that.

H.M.JR: Yes. Now we have decided to send it over, the only question is, how do we get Hull's memo over there?

(The Secretary and Mr. Crowley sign Memorandum to the President, attached.)

MR. WHITE: He called me to ask me to let him know. I haven't let him know. I presume if you want to inform him you are sending it over, they will send it over at the same time, unless you want them to both go together. They will be glad to send it here and accompany it, if you want to append it.

MR. CROWLEY: Will you give Oscar and Lauch a copy?

MR. WHITE: Yes.

H.M.JR: Well, I think - do you want to use this phone now?

MR. WHITE: To call whom?

H.M.JR: To have them send it over.

(Mr. White placed a call to Dean Acheson.)

MR. COX: Their memorandum raises the thing in terms of limiting the dollar thing.

January 4, 1944  
4:11 p.m.

HMJr: Hello.

Operator: Miss Tully.

HMJr: Hello.

Grace  
Tully: Hello.

HMJr: Grace?

T: Yes, Mr. Secretary.

HMJr: Leo Crowley and I are sitting here and we want a little advice. We've been working on this memorandum which we thought we were going to present to the President last Friday when he got sick, you know?

T: Yes.

HMJr: On the English dollar balances.

T: Yes.

HMJr: Now, time is passing....

T: Yeah.

HMJr: ....and we just didn't know whether we should wait for an appointment or send over the memorandum and let him see it.

T: Yes.

HMJr: Now, the only trouble is on it, Mr. Hull has filed a sort of a minority report.

T: Uh huh.

HMJr: And....

T: You mean the President already has that?

HMJr: No.

T: Oh.

HMJr: Mr. Hull said -- I gathered he would send it over when we sent ours.

-2-

T: I see.

HMJr: It's up to us to let him know.

T: Yeah.

HMJr: Now, should we wait for an appointment?

T: Well, it depends upon how urgent your matter is.

HMJr: Well, the trouble is, we understand that Newsweek and other people, now that Newsweek has sort of got hold of this English dollar balance, and are going to write something about it.

T: I see.

HMJr: And it would be nice for the President, if he could be able to say, "Well, I've given instructions that so and so and so and so should be done."

T: Yes.

HMJr: And get it out of the way.

T: Well, in which case then, I think maybe it might be better to send it in a memorandum to him and let him look it over and see if he can handle it that way, for the present anyway.

HMJr: You think....

T: He might have a chance to talk with you both a little later. I don't think he will probably be having any appointments until Thursday at the earliest.

HMJr: I see.

T: And then it would depend upon how he feels, even Thursday.

HMJr: I see.

T: Now, if you think you'd like to have it done before that, that's the earliest I think there will be any appointments, so if you'd like to send it over to me, I work with him for a little while every day.

HMJr: Yes.

- 3 -

T: I'd be glad to bring it to his attention and if he has a memo or something -- okay -- or whatever it is, we'll get it back to you and you can go ahead on it.

HMJr: Well, now -- well, I didn't put in the memorandum -- we'll send it over -- but I'd like to tell you this: the only place that Hull differs....

T: Yes.

HMJr: ....is that he wants us to take it up with the English in advance. We've done that for twelve months and have gotten nowhere. See?

T: Yes.

HMJr: And that's been the whole game to stall us, you see?

T: Yes. Uh huh.

HMJr: And what we feel is we want the President -- if he'll say, "Well, all right. This is a good policy."

T: Yes.

HMJr: And what we say is the -- on the individual items that we want to cut down, we will consult the British.

T: Yes.

HMJr: In other words, we want an over-all policy.

T: Yes.

HMJr: We've tried for twelve months to get together with the British.

T: I see.

HMJr: And the President knows how difficult that is.

T: Yes.

HMJr: And the State Department, the way they always want to stall, want Leo and me just to continue to consult.

T: Yes.

HMJr: And then we....

T: Get nowhere.

HMJr: And get nowhere.

T: Uh huh.

HMJr: And in the meantime the thing will break and will break to the President's discredit.

T: Yes.

HMJr: And I didn't put that in the memo but Leo and I feel it very strongly.

T: Well, let me give him that little background off-the-record that's not -- that doesn't appear then....

HMJr: Will you give him that?

T: ....when I give him the memorandum.

HMJr: We both think it's political dynamite.

T: Yes.

HMJr: And if we could go ahead along the lines in the memorandum before the thing breaks.

T: All right. Fine. Will you send it over to me, Mr. Secretary?

HMJr: I'll have it over there within the hour.

T: All right, fine, sir.

HMJr: And you'll give him that little background.

T: I'll give him this background when I give him the memorandum. I'll tell him about it.

HMJr: Thank you so much.

T: Fine, Mr. Secretary. Bye.

- 3 -

MR. CROWLEY: The Secretary has talked to Grace, and Grace is going to give a little bit of background to the President, and give him a chance to read this first and then talk to him if he wants to.

H.M.JR: I send everything to Grace. And, moreover, I couldn't talk if Hull were present.

So I have had my day in court. She said she didn't think we could get it before Thursday. She is awfully good.

MR. COX: She is as good as they come.

H.M.JR: I talked with her and I said that it would be difficult for the President. We have argued about it for twelve months. The thing is to set up the policy and we will take up the individual arguments afterwards.

MR. COX: That answers my question.

(Mr. White held a telephone conversation with Dean Acheson, as follows:)

In answer to your inquiry this morning, if you can send the original right over, then the Secretary will send it to the President, together with the memorandum. That, I gather, is what you would like.

Could we get it right over here?

Will you send it right to the Secretary's office?

O.K. (End of conversation)

H.M.JR: Tell them to send it to Mrs. McHugh.

MR. WHITE: I will leave word outside to save the explanation. I thought it would expedite it.

- 4 -

H.M.JR: All right.

Now, I think I could say things to Grace with Mr. Crowley present and feel better than I would saying them in front of Mr. Hull.

MR. COX: Of course.

MR. CURRIE: Mr. Secretary, has there been any development at all on your proposal in connection with the French Lend-Lease?

H.M.JR: No. The last thing was the stop order from the President to hold everything when he was abroad. You know about that cable. He sent a cable to the War Department to do nothing vis-a-vis the French until he got back.

MR. CURRIE: Well, we are currently extending Lend-Lease to them, you know.

H.M.JR: On the whole picture - money, everything.

MR. WHITE: I thought it referred only to money, but it might have referred to everything.

H.M.JR: I thought it referred to everything.

MR. CURRIE: Well, there is to be a conference. I think you took it up with Secretary Hull, didn't you?

MR. WHITE: Hull was to get it to the Secretary when he was ready to discuss it.

(The Secretary calls Mrs. McHugh and explains that the Treasury memorandum and Hull's memorandum are to go to the White House together.)

H.M.JR: (To Mrs. McHugh) See that Mr. Crowley gets a couple of copies of this memorandum, of course.

- 5 -

MR. WHITE: That could not apply to the payments which the French are holding up. I think you can go ahead on that, irrespective of the broader question of Lend-Lease.

MR. CURRIE: Go ahead and try to collect, you mean?

MR. WHITE: That is right.

MR. CURRIE: Seems to me this is a matter of considerable importance and urgency.

H.M.JR: You switch so fast, my mind was still on this.

You will have to start from the beginning.

MR. CURRIE: You remember, you came back with the proposal that we should cease lend-leasing the French.

H.M.JR: I wrote a letter to the President.

MR. CURRIE: That is right. Then you were to have a conference, I believe, with Hull.

H.M.JR: Do you remember, Harry?

MR. WHITE: That is right. Hull was to let you know when he was ready to discuss it.

H.M.JR: Why don't you make a note when you go back and say to Mr. Hull, "On such-and-such a date I took this matter up with you, and I would like to know what is going to happen."

MR. WHITE: There is a new note that you can introduce; say that this matter has now become urgent because in addition to the question which you raised, the French Comité are now saying they cannot pay for the goods which Lend-Lease is sending - commercial goods - which they have already committed themselves to pay for.

- 6 -

H.M.JR: Will you fix that up for me?

MR. WHITE: Yes.

H.M.JR: That is the one where you (Crowley) and I exchanged letters.

MR. CURRIE: State has taken the position that the French Committee cannot spend the French balances in this country.

H.M.JR: That, of course, is the whole question of the recognition of the French Committee.

MR. CURRIE: Not only the civilian items and restoration of trade, but also in connection with relief and rehabilitation. The French are prepared to pay for their supplies in the liberated areas.

H.M.JR: Why don't we do a little differently. Instead of my writing Hull and sending Mr. Crowley a copy, why don't we write a joint letter?

MR. COX: I was going to suggest a joint letter in which you present one other issue. The State Department has taken the issue on payment for past military that there were agreements between the French and ourselves going as high up as the President, and that you would kind of be going back on your word if you tried to get paid for it.

MR. WHITE: Where have they been taking this position?

MR. COX: On the basis of the Secretary's letter.

The major problem is not only the payment for civilian supplies which are now going to French Africa, but the question as to whether the assets are going to be made available for the procurement of supplies for the liberation of metropolitan France.

- 7 -

Now, nothing is being done effectively in procuring those supplies, and if anything should happen in terms of the collapse of Europe, let's say, by the first of March or April, except for Army supplies, you are going to be stuck without adequate supplies in Procurement, or on hand.

I would think what you ought to bat up jointly, possibly, would be the follow-up to that letter, raising these two questions for discussion: One, the payment of civilian supplies; and two, the handling of the frozen assets for the purposes of procuring supplies for the liberated metropolitan France.

MR. WHITE: Might I make a suggestion? Draft the letter and say that there is an appended agenda and we list the various items.

MR. COX: Give you three or four other items.

H.M.JR: As long as it is going to be joint, you fellows work together.

MR. COX: Right.

MR. CURRIE: Fine. We got a letter today, Mr. Crowley, from State asking us not to take up with the French the question of the restoration of private trade with North Africa. It was too bad, because we already have.

MR. CROWLEY: I tell you, this cooperation with State is something, Mr. Secretary. It is kind of a one-way street.

H.M.JR: You're telling me!

MR. WHITE: We could add a few chapters.

You want to raise a question about Argentina.

H.M.JR: Oh, I had the most marvelous conversation. Are these fellows interested in Argentina?

January 4, 1944  
4:27 p.m.

HMJr: Hello.

Operator: Miss Tully has just gone in to the President but Mrs. Brady is there.

HMJr: Okay.

(Pause)

HMJr: Hello.

Operator: Mr. Secretary.

HMJr: Yes.

Operator: Just a moment. She took another call. Can I call you back or do you mind waiting a moment?

HMJr: You call me back.

Operator: All right.

HMJr: If you please.

Operator: All right, I will, sir.

4:28 p.m.

HMJr: Hello.

Operator: Here's Mrs. Brady now.

HMJr: Hello.

Operator: There you are.

Dorothy  
Brady: Hello.

HMJr: Dorothy.

B: Yes, sir.

HMJr: I was just talking to Grace and was telling her I was sending a memorandum from Mr. Crowley and myself.

B: Yes.

HMJr: Also in that will be Mr. Hull's minority report.

B: Uh huh.

HMJr: Inasmuch as it is three pages long, I wanted to be sure that Grace brings to the President's attention the last paragraph....

B: Uh huh.

HMJr: ....of the whole thing, which we feel is an answer to Mr. Hull's objection.

B: Uh huh.

HMJr: So when she takes it up, will you be sure that she....

B: Well, she's on her -- she's already gone over to the President. Has it come over yet?

HMJr: Our stuff isn't there yet.

B: Oh, I see.

HMJr: I've still got it in my hand.

B: Uh huh.

HMJr: So, it will be the next visit.

B: All right. Thank you.

HMJr: But this last paragraph on the third page....

B: Yes, sir. I'll see that it's brought to Grace's attention.

HMJr: God bless you.

B: All right.

HMJr: Thank you.

B: Good bye.

- 8 -

MR. WHITE: Definitely.

MR. COX: Mr. Crowley buys it.

H.M. JR: Well, this is really an incentive, if you are interested. I asked him to put it in writing. It is Lew Douglas' assistant.

(The Secretary over White House phone)

Dorothy? I was just talking to Grace telling her I was sending her a memorandum from Mr. Crowley and myself. Also in that will be Mr. Hull's Minority Report.

Inasmuch as it is three pages long, I wanted to be sure that Grace brings the President's attention to the last paragraph of the whole thing, which we feel is an answer to Mr. Hull's objections. When she takes it up, will you be sure she draws his attention--

Our stuff isn't there yet. I still have it in my mind. So it will be the next visit.

But the last paragraph of the third page--

God bless you.

Thank you. (End of conversation)

If it wasn't so sad - this is funny. I have been going all around. I got to Hull this morning about it. He meets every Tuesday with Stimson and Knox. Did you know that?

MR. CROWLEY: Yes.

H.M. JR: Evidently they must have gone to town because McCloy has been doing nothing else all day. They had a meeting with Jimmy Byrnes at twelve o'clock on this very thing, and the interesting thing - to show what liars these people all are - the War Shipping Board says, "I haven't the exact facts; when I get the

- 9 -

facts I will send them to you, Mr. Morgenthau. The last place in the world that we want to go for wheat is the Argentine."

MR. WHITE: The War Shipping Board?

H.M.JR: Yes. We have been fighting this thing tooth and nail. We have - now get this - a stock pile of eighty million bushels of wheat in the Middle East for the Balkans which we have suggested that they draw on for Italy until they can get it. This is coming from Australia. We have offered to give them five extra ships if they will take that instead of taking this stuff from Argentina, but it means sending a ship exclusively to the Argentine for that. Furthermore, we have either twenty or twenty-two ships assisting the British in moving the wheat out of Canada. As we told you about railroad transportation, the British always play ball together. They are getting the wheat from Canada to England and from Australia to the Middle East. They want us to take the long haul down to Argentina. They are building a stock pile.

MR. WHITE: Not only the long haul, but if we get it from Argentina, we pay for it; from Australia, they pay for it.

H.M.JR: We have told them we will give them five extra ships to sweeten the thing up if they would use that stock pile temporarily until the rest of the Australian wheat comes along.

I asked them to write that up and at twelve o'clock today I got it - Mr. McCloy called this meeting in Byrnes' office.

I said, "Did you get anywhere?" He said, "I don't know, but we are fighting the best we can. We haven't been able to move" - I gather, with Marvin Jones.

This is diametrically opposite to what I have been told before.

- 10 -

MR. WHITE: This thing--

H.M.JR: Isn't that amazing?

MR. CROWLEY: Yes.

H.M.JR: I said, "Will you give me a memorandum in writing; I would like to use it." And I will send you a copy.

MR. CROWLEY: I would like to use it.

H.M.JR: It is the darnedest thing I ever heard. Isn't that outrageous?

MR. CURRIE: Yes.

MR. WHITE: Marvin Jones' assistant said, "Why can't this be removed from some place else?" He says there isn't any. We will have about two hundred thousand tons left in six months from now.

I said, "Even there it is possible to build up your stocks; take them down and get them later."

"Secondly," he said, "you can't get them to Canada because of the shipping situation."

I said, "It takes more shipping from Argentina."

He said, "It is a railroad situation, from the internal ports to the external." He said, "There is no other place you can get wheat."

I mean, if the Secretary had stopped there, you would say, "Well, railroads are tied up; can't get wheat; it is too bad. We are getting it from Argentina; we are going to pay for it all."

You are going to give that money to Argentina; use a lot of extra ships; takes a longer time. "There is nothing we can do about it."

- 11 -

He dug beneath the surface. I wonder who made the decision?

H.M.JR: I called up Hull's office at ten past nine this morning. Evidently Stimson must have put McCloy on it. Then I wasn't satisfied; I went to the War Shipping Board. What is his name?

MR. COX: Royce.

H.M.JR: "The last place in the world we want to go is the Argentine."

MR. WHITE: The place where this is decided, Mr. Secretary, is in the Combined Food Boards, and on the Combined Food Boards the British are represented, and they knew when they went into that Board.

H.M.JR: It is all in the conversation, Harry, and he told me - he said the British all get together when we get through; we get the Argentine run, the run we don't want. He said that we have twenty ships up there. I don't remember whether he said the ships from Australia were ours, too.

We had lunch today with General McSherry. If the Italians are starving, why should they be building a stock pile for the Balkans?

MR. CROWLEY: I think, Harry, that what you have in this Combined Board - you say you have your English representation. The English people here are all together and they get us all divided on these things, and then on the Combined Boards they have these very strong positions all the time.

H.M.JR: They had a meeting there today with Jimmy Byrnes. We are interested in the freezing.

Oh, yes - I said to Royce, "Was anybody there from the State Department?"

- 12 -

"Nope."

I said, "Anybody from the Treasury?"

He said, "Nope."

MR. CROWLEY: No one there from our office.

MR. COX: No, we buy the wheat.

H.M.JR: Is this news to you?

MR. COX: Sure.

H.M.JR: Make a note! It is a big day for me - I told something to Oscar Cox!

But there the meeting takes place, at that time, and neither the State nor Treasury nor you people are represented. No wonder the English can run circles around us.

MR. CROWLEY: I wish you would prepare a letter to the Secretary and tell him I would appreciate his letting Harry White, or his alternate, sit on the U.S. Commercial Board and that we want the Treasury to be familiar with all of the operations of purchase of foreign exchange, and that we want them to review everything we are doing, and for them to advise us as to the operation of foreign exchange.

Then, too, Harry and Lauch, we have a U.S. Commercial man by the name of Barth, in Spain.

MR. WHITE: Yes.

MR. CROWLEY: Harry, isn't it better now for us to recall Barth on account of that trouble he is in?

MR. WHITE: It certainly is a bad spot to have a man about whom there is any question.

- 13 -

We were going to have a report which we were going to give the Secretary and yourself either this afternoon or tomorrow morning, so you can judge for yourself. But he has been tied up in some way with it, and Spain of all spots - almost any other spot except Spain or Portugal or Argentina.

MR. CROWLEY: What we have to have your help on is finding the right type of person to take his place there, because it is essential that we have a man in Spain now, and Barth is in a little bit of trouble, Lauch, with frozen funds.

H.M.JR: I am afraid I will have to stop. This is a good meeting.

JAN 4 1944

MEMORANDUM FOR THE PRESIDENT

FROM: The Secretary of State, The Secretary of the Treasury,  
and The Administrator of the Foreign Economic  
Administration.

1. In January 1943, you approved the following recommendation of a committee consisting of representatives of the Departments of State, Treasury and War, the Office of Lend-Lease Administration and the Board of Economic Warfare:

"It is recommended in the light of present circumstances, that the United Kingdom's gold and dollar balances should not be permitted to be less than about \$600 million nor above about \$1 billion."

2. Notwithstanding the directive, the British Government's liquid dollar exchange assets have continued to rise and are now over \$1.7 billion, or \$1,350 million more than at the time the Lend-Lease Bill was presented to Congress in January 1941.

In addition to the gold and dollar holdings of the British Government, residents of the United Kingdom hold \$320 million of private dollar balances and about \$1,150 million of long-term investments in the United States. Of the latter assets, \$500 million are pledged with the R.F.C. against the \$350 million loan.

3. When it became clear that the British balances were rising substantially above the ceiling set in your directive, the Treasury and the Board of Economic Warfare pressed for a reduction in civilian lend-lease as a means of implementing your directive, but the State Department and Lend-Lease Administration were reluctant to recommend such a step in the absence of an exhaustive reexamination of our policy of financial assistance to the British and of Britain's overall international financial position. It was finally agreed to request the British for strategic and other materials as reciprocal aid, estimated likely to amount to \$200-\$300 million during the ensuing year. This proposal was immediately placed before the British. Several months elapsed before the latter agreed to the proposal in

- 2 -

principle and even then only after considerable prodding. Several more months have been spent in an endeavor to arrive at methods of implementing the proposal. We are disappointed with the progress made to date and we think there is little reason at present to be hopeful that this device will in effect yield anything like the amount needed to carry out your directive.

4. The British Government has strongly objected to a policy which prohibits an increase in their gold and dollar assets. They emphasize that the rise in their holdings of these assets--which may be expected to continue at an annual rate of at least a half billion dollars unless steps are taken to interrupt this trend--is only a fraction of the increase in their short-term indebtedness to overseas countries other than the United States.

They assert first that \$365 million of these liabilities represent a specific claim against an equivalent amount of dollars and that that sum must be subtracted from their total holdings in order to obtain the correct figure of their available gold and dollar reserve.

Secondly, they claim that their short-term sterling liabilities to overseas countries are five times the amount of their gold and dollar holdings and that these liabilities are increasing at a rate of \$2.5 billion a year.

The British claim that they should be permitted to accumulate gold and dollars as a necessary reserve against these growing liabilities. They assert that the continued accumulation of gold and dollars is a prerequisite to the continuation of the policy by which they have managed to finance their war expenditures in India, the Near East and other overseas areas.

Finally, the British fear that their mounting liabilities to overseas countries will place them in a very vulnerable position after the war and jeopardize their chances of a speedy post-war recovery.

5. There is merit, of course, in the British position but we feel that neither Britain's international financial position outside the United States nor its post-war needs were among the considerations which prompted Congress to pass the Lend-Lease Act. In our opinion, Congress might well feel now that Lend-Lease aid to Britain was instituted in order to enable her to obtain those goods and services essential to the prosecution of the war for the purchase of which she lacked the necessary dollars, and that therefore

to administer the Act in such a way as to help underwrite Britain's short-term indebtedness to other countries or to improve her post-war financial position might be contrary to the wishes of Congress. The British concede that this narrower purpose may have been the original objective, but they believe that our entry into the war alters the situation.

6. What the view in Congress may be is indicated by the report of the Truman Committee entitled "Outlines of Problems of Conversion from War Production" and submitted to Congress on November 5, 1943. To quote from page 13 of this document:

"In the latter connection, we should never forget that lend-lease was originally authorized by the Congress, solely because the English and others whom we desired to assist did not have sufficient American exchange to purchase materials needed by them. Lend-Lease was never intended as a device to shift a portion of their war costs to us, but only as a realistic recognition that they did not have the means with which to pay for materials they needed.

"Before authorizing lend-lease, the Congress expressly requested and received assurances that lend-lease assistance would be extended only where the recipient was fully utilizing all of its own resources."

7. In view of the considerations mentioned above we believe that various questionable items which were initially included because of the earlier shortage of dollars should be eliminated from lend-lease. Therefore, unless you indicate to the contrary, we propose to discontinue certain types of transactions such as the following:

- (a) machinery and capital installations;
- (b) off-shore purchases such as Iceland fish, Caribbean sugar, and oil from outside the U.S.;
- (c) civilian goods to the Middle East, Jamaica, Southern Rhodesia, etc.;
- (d) pulp and paper;
- (e) tobacco for the Armed forces;
- (f) certain other controversial civilian items.

The policy of discussing with the British each category of items that it is proposed to cease sending under Lend-Lease credit prior to any action being taken with respect to that category will, of course, be continued.

HDW:TMK:ISF:sh  
1/4/44

(Signed) Henry Morgenthau, Jr. *and Leo Crowley*

## DEPARTMENT OF STATE

ASSISTANT SECRETARY

January 4, 1943

For Secretary Morgenthau -

Pursuant to the conversation I have just had with Dr. White, I am sending the attached document, the Department's memorandum to the President on the subject of British lend-lease, to accompany the Treasury's memorandum on the same subject.

*Eugene V. Rostow*

Eugene V. Rostow

- 1 photostat to Dr White
- 2 photostats to Mr Crowley

December 31, 1943.

MEMORANDUM FOR THE PRESIDENT

Secretary Morgenthau has shown me his Memorandum to you of December 31, 1943, on the subject of the United Kingdom's gold and dollar balances. I share his desire to bring the matter to your attention and generally agree that the facts are as stated in paragraphs 1, 2, 3, and 4 of the Memorandum. I believe that it would be entirely possible in view of the improved British financial position to eliminate from lend-lease transfers goods of the character stated in paragraph 7 of Secretary Morgenthau's Memorandum.

If, in your judgment, it is still practicable and wise to attempt to hold British balances to a fixed amount, I respectfully suggest that this policy should be made clear to the British, in order to avoid possible friction and feeling of a serious nature between the two governments by reason of the great importance which they seem to attach to the need for fullest discussion of their liabilities in connection with any possible policy of limitation of their assets to a fixed amount.

A true copy of  
the signed memo  
sent BE

Interfiled  
CH

TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

131  


DATE

TO Secretary Morgenthau  
FROM Randolph Paul

January 4, 1944

I talked with Bob Patterson this morning and suggested that we no longer needed to hold a meeting at Jones' office. He said Jones would not be back anyway until next Monday. I said that no doubt you would be glad to hold a meeting if one were necessary but we doubted if it were necessary. It was left that we would wait to see the reaction to the minority report and hold a meeting early next week if necessary.

Patterson will be away Thursday, Friday and Saturday of this week but will be available to meet Monday if you desire one.



## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE JAN 4 1944

TO Secretary Morgenthau

FROM Randolph E. Paul

Re: Final Report on Status of the Treasury Department's Legislative Program at the End of First Session of 78th Congress.

Attached herewith in tabular form is a final report on the status of Treasury-sponsored legislation at the end of the first session of the 78th Congress. This report is as of the date of adjournment on December 21, 1943. The total number of Treasury bills enacted during the past session was not as large as the total enacted during some of the sessions of Congress since the establishment of the Legislative Section in the summer of 1934, and the centralization in it (with some exceptions) of Treasury legislative activities. This is attributable to the fact that both Houses of Congress and the committees thereof have concentrated on war legislation during the past session, and have for the most part been disinclined to consider desirable but nonessential legislation not directly related to the war program.

The following summary shows the record of this office:

<u>Session Year</u>	<u>Number of Treasury-sponsored bills enacted</u>	<u>Number of Treasury-sponsored bills actively pending at the end of the session which failed of enactment</u>
1943	5	11
1942	22	16
1941	20	22
1940	23	8
1939	27	4
1938	13	11
1937	22	10
1936	21	8
1935	19	12

Notable among the important Treasury legislation enacted during the last session was the Public Debt Act of 1943, increasing the debt limit of the United States to \$210 billion, authorizing the utilization of banks and trust companies in connection with the redemption of United States Savings Bonds, and providing relief for losses incurred in making payments in connection with the redemption of such Bonds.

The Congress at our recommendation again extended (till 1945) the time within which the powers relating to the stabilization fund may be exercised.

- 3 -

Of the eleven Treasury bills still pending in Congress, one has passed both Houses and three have passed one House. Since the recent adjournment marked the end of a session and not the end of a Congress, these will retain the same status in the next session which they had achieved in this.

Also, we did a great deal of work on many other pieces of legislation, notably on war contract termination; legislation relative to the disposition of surplus property; renegotiation of war contract legislation; the newspaper subsidy bill; legislation to eliminate assessment and reserve requirements in connection with war loan accounts, which was approved April 13, 1943, and became Public Law 37; legislation pertaining to the attachment, garnishment, execution or trustee proceedings of wages and salaries of civil officers and employees of the United States; the Green Silver bill (S. 35); legislation for the relief of the Puerto Rico and Virgin Islands unemployment problems; and H.R. 3690, relative to admission of evidence in certain cases, which was introduced as a result of the McNabb decision. None of these bills, however, strictly speaking, could be described as a Treasury bill.

- 4 -

In addition to the foregoing, the Legislative Section handled a total of 218 Treasury reports on legislation during the past session. Of this number, 151 were reports to committees of Congress, 43 were reports to the Bureau of the Budget on pending or proposed legislation, and 24 were reports to the Bureau of the Budget on enrolled bills to assist the President in determining whether or not to approve these bills.

The Legislative Section transacted legislative business with the legislative counsel of both the House and Senate, and worked with, and appeared before, many committees of both Houses of Congress, during the first session of the 78th Congress. It drafted or assisted in drafting, much legislation not covered by this report, such as bills which are still in process, bills which have been submitted to, but not yet cleared by, the Bureau of the Budget, bills which were completed but which, for one reason or another, the appropriate administrative officers decided not to submit to the Congress at this time, bills prepared as a courtesy accommodation to members of Congress, etc. The Legislative Section also opposed legislation objectionable to the Treasury Department and drafted, or participated in

- 5 -

drafting, a number of executive orders. Moreover, this section did a large amount of research work on legislative and other problems of interest to the Department, and generally endeavored to keep various bureaus and branches of the Department advised about all phases of legislative matters in which they were interested.

A handwritten signature in dark ink, appearing to be 'R. S. D.', is written below the typed text.

FINAL PROGRESS REPORT ON TREASURY LEGISLATION  
DURING THE FIRST SESSION OF THE 78th CONGRESS.

A. Treasury Sponsored Bills Enacted  
During First Session of the 78th  
Congress (1943).

<u>BILLS</u>	<u>BRIEF EXPLANATION</u>	<u>APPROVED</u>	<u>PUBLIC OR PRIVATE NUMBER</u>
1. H.R. 1780 (H.R. 1470; S. 566) Public Debt Legislation.	Increases the debt limit of the United States from \$125 billion to \$210 billion; authorizes the Secretary of the Treasury to utilize banks and trust companies in connection with the redemption of United States Savings Bonds; and provides relief for losses incurred in making payments in connection with the redemption of such Bonds. (H.R. 1470 contained Treasury's proposed legislation, and the provisions of that bill were incorporated in H.R. 1780 with an additional section containing an amendment to the Emergency Price Control Act of 1942.)	Presented to the President on March 30, 1943. Became a law without the President's approval.	Public Law 34
2. S. 319 (H.R. 1801) National Gallery of Art, Permanent Loan.	Authorizes the Secretary of the Treasury to receive a permanent loan to the United States from the Board of Trustees of the National Gallery of Art, in cash, of not to exceed \$5 million in the aggregate, and to pay interest on the principal amount of such loan at the rate of 4 percent per annum, payable semi-annually; and permanently appropriates such interest for payment to the Board of Trustees.	April 10, 1943	Public Law 32
3. S. 854 (H.R. 1321) Relief of First National Bank of Huntsville, Texas.	Provides for payment of \$105.61 on account of two checks drawn on the Treasury of the United States by Division of Disbursement, which checks were erroneously cancelled by that Division and the amounts included in a new check issued.	April 12, 1943	Private Law 25

A. Treasury sponsored bills enacted during first session of the 78th Congress-(1943) - (continued).

<u>BILLS</u>	<u>BRIEF EXPLANATION</u>	<u>APPROVED</u>	<u>PUBLIC OR PRIVATE NUMBER</u>
4. S. 991 (H.R. 1489; H.R. 2489) Stabilization Fund.	Extends until June 30, 1945, the powers established under section 10 of the Gold Reserve Act of 1934, relating to the stabilization fund; and provides that such fund shall not be used in any manner whereby direct control and custody thereof pass from the President and the Secretary of the Treasury.	April 29, 1943	Public Law 42
*5. S. 990 (H.R.2531) Relief of the Washington, Brandywine & Point Lookout Railroad.	Authorizes the Secretary of the Treasury to accept the principal amount of \$50,000 in full settlement and discharge of the indebtedness of the Washington, Brandywine & Point Lookout Railroad Company to the United States, evidenced by a note dated July 6, 1918.	December 17, 1943	Private Law 162

\* S.990 was sponsored by Senator Millard E. Tydings, but was actually drafted in the Treasury Department.

B. Treasury Sponsored Bills Actively Pending in Congress at the End of the First Session of the 78th Congress (1943).

BILLS	BRIEF EXPLANATION	STATUS AT END OF FIRST SESSION	REMARKS
1. S. 1447 (H.R. 3449) Belief for part-time charwomen in Bureau of Engraving and Printing	Provides that realization be made of all claims of the United States in consequence of payment of wages at the rate of 78¢ an hour, rather than at some lower rate or rates, for work performed during the period from Aug. 1, 1942 to June 30, 1943, by part-time charwomen employed in the Bureau of Engraving and Printing.	S. 1447 reported from Sen. Com. on Claims (S. Rept. No. 521) Nov. 5, 1943; passed Senate Nov. 9; referred to House Com. on Claims Dec. 6.  H.R. 3449 reported from House Com. on Claims (H. Rept. No. 837) Nov. 4; passed House Dec. 6; referred to Sen. Com. on Claims Dec. 7.	This bill has an excellent chance of passage next session.
*2. S. Con. Res. 7 Medal for the President of the United States	Authorizes the Secretary of the Treasury to strike a gold medal for presentation to President Roosevelt for inspiring confidence in aviation by his flight to Casablanca, North Africa, the expense to be paid by the American Section of the Ligue Internationale des Aviateurs.	Reported from Sen. Com. on the Library Feb. 25, 1943; Sen. agreed to resolution on Feb. 25; referred to House Com. on Coinage, Weights, and Measures March 1.	Due to the intervening period since the presentation of this matter to the Congress, it is doubtful whether it will be enacted.

\*Although not sponsored by the Treasury Department, S. Con. Res. 7 was drafted in the Treasury Department at the informal request of Senator Parkley's office.

B. Treasury Sponsored Bills Actively  
Pending in Congress at the End of  
the First Session of the 78th  
Congress (1943). - (continued)

<u>BILLS</u>	<u>BRIEF EXPLANATION</u>	<u>STATUS AT END OF FIRST SESSION</u>	<u>REMARKS</u>
3. H.R. 3661 (S. 1522) Relief of G. F. Allen	Authorizes and directs the Comptroller General to allow credit in the account of G. F. Allen, Chief Disbursing Officer, Treasury Department, in an amount not to exceed \$4,796.85 for items suspended or disallowed, as enumerated in House Report No. 909, 78th Cong., 1st Session.	Reported from House Com. on Claims (H. Rept. No. 909) Nov. 29, 1943. Passed House Dec. 7; referred to Sen. Com. on Claims Dec. 8.	This bill undoubtedly will be enacted next session.
4. H.R. 3408 Slugs, tokens, or similar devices fraudulently used for the purchases of merchandise and services.	Amends chapter 7 of the Criminal Code making it a criminal offense to manufacture for sale any tokens, slugs, disks, or other devices, with knowledge or reason to believe such tokens, slugs, etc., may be used unlawfully or fraudulently to procure anything of value; and defines "knowledge or reason to believe". (The purpose of this bill is to prevent the manufacture and sale and hence the general circulation of slugs, tokens, and similar devices now used for fraudulent purchases of merchandise and service, in substitution for United States coins.)	Reported from the House Com. on the Judiciary (H. Rept. No. 823) Nov. 4, 1943; passed House Nov. 15; referred to Sen. Com. on the Judiciary Nov. 16.	This bill is being actively considered by the Subcommittee of the Senate Committee on the Judiciary, and it is anticipated that it will be enacted next session.

B. Treasury Sponsored Bills Actively Pending in Congress at the End of the First Session of the 78th Congress (1943). - (continued)

<u>BILLS</u>	<u>BRIEF EXPLANATION</u>	<u>STATUS AT END OF FIRST SESSION</u>	<u>REMARKS</u>
5. H.R. 1199 (S. 725) Conspiracy counterfeiting bill.	Amends the laws relating to counterfeiting of currency, stamps, etc., by providing conspirators shall be subject to the punishment applicable to convictions for substantive violations of such laws. (This bill makes the same penalties applicable to the chiefs of counterfeiting syndicates as now apply to their legmen.)	Referred to House Com. on the Judiciary Jan. 14, 1943; referred to Sen. Com. on the Judiciary Feb. 15, 1943.	This bill has a good chance of passage next session. Its objectives are uncontroversial, and the Attorney General has also recommended that the bill be enacted.
6. S. 1360 Disposition of Securities	Authorizes the Secretary of the Treasury to sell, exchange, or otherwise dispose of any bonds, notes, or other securities which may be acquired by him on behalf of the United States under judicial process or otherwise, or delivered to him for disposal, in such manner and upon such terms and conditions as he may deem advisable and in the public interest, without the three months' advertising period as required by existing law.	Bill referred to Sen. Com. on Finance Sept. 17, 1943.	This bill has a very good chance of enactment next session.

B. Treasury Sponsored Bills Actively  
Pending in Congress at the End of  
the First Session of the 78th  
Congress (1943). - (continued)

<u>BILLS</u>	<u>BRIEF EXPLANATION</u>	<u>STATUS AT END OF FIRST SESSION</u>	<u>REMARKS</u>
7. H.R. 1194 Orderly payment of conflicting claims against the United States	Relieves the Treasury Department from the necessity and responsibility of making a judicial determination whenever a creditor or other claimant against a claimant against the United States requests that the Treasury Department withhold payment from the original claimant, and relieves original claimants from the necessity of having to travel to the District of Columbia to defend actions commenced there to reach amounts payable to them by the United States, while at the same time protecting the rights of creditors of such claimants.	Referred to House Com. on the Judiciary Jan. 14, 1943.	This bill has a fair chance of enactment next session. The Attorney General and the Comptroller General have approved the measure.
8. H.R. 826 Enforcement Officers' death and disability benefits.	Authorizes an increase in the death and disability compensation payable to Federal enforcement officers and their dependents when such officers are killed or disabled while engaged in hazardous work.	Referred to House Judiciary Com. on Jan. 7, 1943.	This bill probably will not be enacted during the war, due to the prevailing economy sentiment on the Hill with respect to matters not related to the war effort.

B. Treasury Sponsored Bills Actively Pending in Congress at the End of the First Session of the 78th Congress (1943). - (continued)

<u>BILLS</u>	<u>BRIEF EXPLANATION</u>	<u>STATUS AT END OF FIRST SESSION</u>	<u>REMARKS</u>
9. S. 767 Additional Coinage Mint.	Authorizes the Secretary of the Treasury to establish an additional coinage mint for the United States in the central section of the United States.	Referred to Sen. Com. on Banking and Currency Feb. 25, 1943.	This legislation is being held up because of disagreement of Members of Congress as to the location of the proposed mint. At the present time it is impossible to secure materials to build a new mint.
10. S. 26 An amendment (in the nature of a substitute) proposed by Senator McCarran. Bonding of Federal officers and employees	Establishes a Federal Fidelity Bonding Board to administer a fidelity trust fund for the establishment of which an appropriation of \$500,000 is authorized; and gives Federal officials or employees, who are required by law to give fidelity bonds, an option of complying with such requirement by contributing to the fund an annual premium fixed by the Board, or of continuing to give bond with sufficient sureties according to existing law and practice.	This amendment (in the nature of a substitute) was referred to the Sen. Com. on Education and Labor Apr. 6, 1943	This bill has a slight chance of passage, as it involves a controversial issue.

B. Treasury Sponsored Bills Actively Pending in Congress at the End of the First Session of the 78th Congress (1943). - (continued)

<u>BILLS</u>	<u>BRIEF EXPLANATION</u>	<u>STATUS AT END OF FIRST SESSION</u>	<u>REMARKS</u>
11. Overtime Compensation for Customs officers and employees	Authorizes the assignment of Customs employees to regular tours of duty at night and on Sundays and holidays, without the payment of triple compensation as required by the decision of the Court of Claims in the case of <u>Howard C. Myers v. United States</u> , No. 43671, decided February 1, 1943, in order to stop the fast accumulation of liability against the Government.	Draft of bill with memo given to Mr. Doughton on May 29, 1943, and to Congressman Dingell on June 9.	Action on this bill is being held up pending the decision of the Supreme Court of the United States in the case prompting the necessity for the proposed legislation.

TREASURY BILLS

	<u>Jan. 6</u>	<u>Dec. 30</u>	<u>Dec. 23</u>	<u>Dec. 16</u>
Amount offered .....	\$1,000 M	\$1,000 M	\$1,000 M	\$1,000 M
Bids tendered .....	<u>2,256</u>	<u>1,772</u>	<u>1,791</u>	<u>1,815</u>
Accepted at fixed rate .....	48	42	61	66
Low rate .....	.336%	.356%	.360%	.297%
High rate .....	.376	.376	.376	.376
Average rate .....	.373	.375	.375	.375
Amount in New York .....	\$237 M	\$691 M	\$589 M	\$605 M
Amount in Chicago .....	584	118	144	115
Amount in San Francisco .....	67	47	75	85
Amount in balance of country ..	112	144	187	195

swB

January 4, 1944.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

TO Mr. Thompson

DATE

FROM Mrs. Doyle *MWD*

January 4, 1944

Re: Day Care Service for children of working mothers

A. Questionnaire to determine need

The Children's Bureau prepared a questionnaire for government employed mothers of children under 16. This was distributed in September.

In the Treasury Department in Washington, D. C., 411 women returned the questionnaire. These women expressed the need of various types of care for their children, such as nursery school care, extended school care, foster home care, lunches or domestic help. This entails 549 children.

B. Steps that are now being taken to meet these needs1. Circulars on available facilities to each mother.

I have visited each of the 21 nursery school or extended day service facilities in Washington, Prince George's County, Montgomery County and Alexandria in order that we may be in a position to say that the schools are adequate.

Circulars have been prepared and have gone to each mother containing full information on these facilities, as well as foster care facilities. These circulars go also to all personnel officers.

2. Exit Interviews

All personnel officers have been asked to send to the Employee Relations Office each mother who gives as a reason for intended resignation the need of care for her children.

3. Personal Interviews

I am interviewing mothers who have expressed the need of child care. The picture presented by these interviews is that the mothers are meeting their problem in various ways in addition to placing their children in the day care facilities. They are leaving the children with relatives, having elderly relatives come to live with them, or entering children in private schools. They wish to be kept informed on governmental facilities which are low in cost.

### C. The Present Situation

The Day Care Facilities program in metropolitan Washington is progressing very slowly under the Lanham Act but more facilities will be gradually opened. There are now 141 children in these schools in the District of Columbia and 28 or 19% of these are from the Treasury.

In July the number of employees who left the Treasury "to care for children" was 59. In November it was only 19. The December figures are not yet available. It is hoped by personal interviews to reduce it further.

### D. Continuing Program

1. Circulars will be issued to the mothers on each new facility that is opened.
2. Information on these facilities will be made available to all personnel officers.
3. Special attention will be given to all mothers who are contemplating resignation because of needed care for their children.
4. Interviews with mothers in the Treasury to answer questions and suggest ways of solving their problems.
5. Continuous cooperation with all government and municipal agencies that are working on the day care problem.

Norman Thompson  
The Secretary.

January 4, 1944

Please answer Tom Parran's letter for me and let me have it before noon today so that I can send it and let him know that we are studying the thing. I'll be glad to talk to him about it as soon as I go into the facts. Please write a friendly letter so that he will know that we are giving the matter consideration. Mrs. Berle called Mrs. Morgenthau again yesterday and wanted to know when we were going to act. Mrs. Morgenthau told her that it would take at least three or four days. *Finished*

TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE

January 4, 1944

TO: Secretary Morgenthau  
FROM: Harriet Elliott

C O N F I D E N T I A L

This statement may be too detailed. Our conversation was so hurried I may not have understood your questions.

The signed statement on the need for a consumer office in the Government, the plan for organization and the list of public organizations with consumer interests may be the answer you desired.

I wanted you to have this complete statement for your files, since you are the first official who has indicated any interest in what we attempted to accomplish.

There were four major reasons for our failure to establish a consumer office in 1941:

1. There was an undercurrent of opposition in the Defense Commission to a clear-cut consumer program. Naturally, our plans had to be integrated with procurement, production, food and price programs. I made the initial mistake of not requesting a written directive from the President. The truth is I did not know how essential such directives are in emergency activities.
2. The old line Government agencies, which were doing some specialized work on the consumer problem, built up a backfire against us. They had vested interests to protect. In my effort to coordinate these groups, I ran into hopeless opposition.
3. In addition to all of this, there was no organized public support. Some of the more vocative consumer groups classified us as reactionaries when we did not adopt their panaceas.
4. Our plans were turned down by the Budget Bureau.

Mrs. Roosevelt and Mr. Donald Nelson were the two people who stood by me to the end. I have their signed letters, in which they agreed that the policies and plans were sound.

Secretary Morgenthau

- 2 -

January 4, 1944

I resigned when I was convinced that nothing could be done which would justify spending the Government's money to maintain the office and also to justify me in remaining away from my work at the College.

I am sure you will understand why I am asking you to consider this memorandum confidential. I have never made a statement concerning my resignation. For months after I went home, newspapers sent reporters to see me asking for a statement, and many magazines requested special articles on the situation. Such a statement would not have helped the war effort, and I had no desire to attempt to justify my efforts.

To keep history straight, I must tell you that these policies and plans represent the integrated thinking of the men and women who worked with me in the Consumer Office. When the President requested me to take that office, I made it clear to him that I was not a specialist in this field. He laughed and said, "You can secure all the specialists you need; the woods are full of them." I think I was most fortunate in securing some of the best trained people in the country to help me.

Since I am sending you the complete report, I wanted you to have these facts which indicate why I think I failed in that work.

*David Belmont*

Obviously, this is not confidential.

This is a copy of the signed statement which is included in the report as Section A and to which you may wish to refer apart from the total report.

Harriet Elliott

Consumer Interests and Government Organization

Lack of balance in the weight that is given to producer interests as compared with consumer interests is one of the most serious defects in our public policy. However sincere an administrator may be in his desire to give due consideration to consumer interests, he finds this difficult to do because producer groups are well organized to present their cases effectively and to mobilize pressure to support them, while the people of the country as consumers are poorly organized and relatively inarticulate. In this situation it is appropriate for the government of a democratic country to establish within its administration such machinery as is needed: (1) to inform consumers about the issues in which they have the greatest concern; (2) to facilitate the expression and consideration of consumer views; (3) to provide for the technical analysis of their special problems; and (4) to strengthen the representation of their interests.

The fact must be faced, however, that this undertaking is, by the very nature of the circumstances that make it necessary, a very difficult one to carry through successfully. The most serious difficulties are obvious: (1) certain well organized groups, fearing opposition to some of their policies, strongly resist the development of consumer consciousness; (2) the attempt of any administration to work with consumers will be regarded by the opposition party as a political maneuver and will afford a basis for criticism on that ground; (3) various agencies in the Government with consumer service functions or consumer protection functions have distinct bureaucratic interests of their own which conflict with the development of a strong and unified consumer agency; and (4) the history of consumer representation in the past ten years has been discouraging, not to say disillusioning, for all who have been concerned with these endeavors.

In spite of all the difficulties to be met with, the fundamental soundness of the principle involved and the urgency of the need at the present time (and in the years ahead) for greater consumer participation in the management of the nation's economic affairs make it imperative, in my opinion, that another attempt be made to establish effective machinery for consumer representation and protection. In two important respects, the conditions are more favorable now than they were in 1940: (1) Government organization is less unstable; and (2) the public is more acutely conscious of the problems that confront them as consumers.

I still believe, as I did at the end of 1941, that a strong central agency operating at the highest policy levels is required. The setting for its operations will be somewhat different from those which I contemplated two years ago, but in all essential respects the general pattern I proposed then is the one I would recommend today. That being so, instead of rewriting the statement prepared at that time, I am attaching a copy for reference in this connection.

January 4, 1944

Harriet Elliott  
Harriet Elliott

C O N S U M E R R E P O R T

BY

HARRIET ELLIOTT

JANUARY 4, 1944

T A B L E O F C O N T E N T S

pp.

A. Consumer Interests and Government Organization .....	1A
B. Recommendations for the Establishment of a Consumer Office for Defense .....	2B - 10B
C. Functional Divisions in a Consumer Office .....	11C - 66C
D. Consumer Interest Groups .....	67D - 73D

### A. Consumer Interests and Government Organization

Lack of balance in the weight that is given to producer interests as compared with consumer interests is one of the most serious defects in our public policy. However sincere an administrator may be in his desire to give due consideration to consumer interests, he finds this difficult to do because producer groups are well organized to present their cases effectively and to mobilize pressure to support them, while the people of the country as consumers are poorly organized and relatively inarticulate. In this situation it is appropriate for the government of a democratic country to establish within its administration such machinery as is needed: (1) to inform consumers about the issues in which they have the greatest concern; (2) to facilitate the expression and consideration of consumer views; (3) to provide for the technical analysis of their special problems; and (4) to strengthen the representation of their interests.

The fact must be faced, however, that this undertaking is, by the very nature of the circumstances that make it necessary, a very difficult one to carry through successfully. The most serious difficulties are obvious: (1) certain well organized groups, fearing opposition to some of their policies, strongly resist the development of consumer consciousness; (2) the attempt of any administration to work with consumers will be regarded by the opposition party as a political maneuver and will afford a basis for criticism on that ground; (3) various agencies in the Government with consumer service functions or consumer protection functions have distinct bureaucratic interests of their own which conflict with the development of a strong and unified consumer agency; and (4) the history of consumer representation in the past ten years has been discouraging, not to say disillusioning, for all who have been concerned with these endeavors.

In spite of all the difficulties to be met with, the fundamental soundness of the principle involved and the urgency of the need at the present time (and in the years ahead) for greater consumer participation in the management of the nation's economic affairs make it imperative, in my opinion, that another attempt be made to establish effective machinery for consumer representation and protection. In two important respects, the conditions are more favorable now than they were in 1940: (1) Government organization is less unstable; and (2) the public is more acutely conscious of the problems that confront them as consumers.

I still believe, as I did at the end of 1941, that a strong central agency operating at the highest policy levels is required. The setting for its operations will be somewhat different from those which I contemplated two years ago, but in all essential respects the general pattern I proposed then is the one I would recommend today. That being so, instead of rewriting the statement prepared at that time, I am attaching a copy for reference in this connection.

January 4, 1944

*Harriet Elliott*  
 \_\_\_\_\_  
 Harriet Elliott

B. Recommendation  
for the establishment of  
A Consumer Office for Defense  
in the  
Office for Emergency Management

Harriet Elliott  
Consumer Division  
Office of Price Administration

September 26, 1941

## A Consumer Office for Defense

### Protection of Consumer Interests

The President has declared the American standard of living to be our first line of defense. In a message released a year ago he wrote: " ... the American standard of living—that primary weapon of our defense—must not be lowered through our failure to do the job which total defense imposes."

It has been the accepted policy of the Administration from the start that the whole defense program should be carried on with due recognition of the importance of this basic factor in national strength. To insure that proper consideration would always be given to the interests of the consuming public in the development and implementation of defense measures, a Consumer Division was established in the original National Defense Advisory Commission and was continued in the Office of Price Administration and Civilian Supply.

The Executive Order of August 28, transferring the Civilian Supply Division to the Office of Production Management, has affected the relations of the Consumer Division to the whole defense organization and necessitates a reconsideration of its status and methods of operation. The time has now come when its program and powers should be definitely clarified and confirmed.

-2-

During the past fifteen months the work of the Consumer Division has been continually developed and adapted to fit in as effectively as possible with the changing pattern of defense organization. The type of work assigned to the Division as a unit in OPACS has given it substantially the functions on the basis of which its continuing program should be established.

The continuance of this work under the new Office of Price Administration, limited in its authority to price control, is obviously inappropriate since consumer interests are involved equally, or to an even greater extent, in many other phases of the defense program.

To do its job most effectively, the consumer unit must be set up as a separate office directly under the Office for Emergency Management, coordinate with the other defense offices, and with an authoritative definition of its responsibilities, functions and operating relations provided in an executive order.

#### The Consumer Point of View

The diversion of resources to military production means that the impact of our efforts to defend democracy will inevitably fall to a large extent on the consuming public. This does not mean that consumer policy is in conflict with the defense program. It does mean that the consumer point of view supports, more consistently and directly than any other, the concerted efforts that are necessary at all times, and particularly during the defense emergency, to secure the fullest and wisest use of the nation's productive resources.

-3B-

-3-

Speaking for the consuming public at a conference of more than seventy-five national organizations a year ago, the President of the General Federation of Women's Clubs made the following statement:

"Consumers wish to see the defense program carried on vigorously and effectively. They are prepared to make sacrifices if and when necessary, but we agree that the making of unnecessary sacrifices will only undermine population efficiency and add to the maladjustments in the functioning of the economy."

The unnecessary sacrifices referred to are those incurred through our failure to take the constructive measures that are required to maintain the standard of living at the highest level consistent with military defense requirements. The Consumer Division itself has continually stressed the fact that:

"Human welfare in a 'total defense' program is equally important with guns and tanks. People who are ill-fed, ill-clothed, and ill-housed are a liability to the nation at any time, and in time of emergency this is doubly true."

It has consistently maintained that:

"Sacrifices, when required, should come through willing cooperation, and these sacrifices should fall on the shoulders of those most able to bear them."

Basic to its policies is the belief that:

"As serious as any danger from outside enemies is the challenge on our own economic and social fronts. Unless we can provide more secure and more adequate incomes for everybody than they have had in recent decades, no guns or ships or planes can give the nation effective 'total defense'. Widespread poverty in a land of potential plenty is a pistol pointed at the country's heart."

"This is particularly true in these days when wars of guns are prepared for by wars of words. The dictators aim their propaganda straight at the weak spots in our social armor. Attempts to suppress this propaganda or to answer it with counter-propaganda will not be enough. Effective defense requires that we, as a nation, demonstrate in fact that we can mobilize our total resources, effectively on behalf of, and for the promotion of, the common good."

-4B-

-4-

In the interests of efficiency, health and morale, it is important that the same conscious planning and constructive effort should be made in the production of consumer goods as in the production of military supplies. Further, it is important that the consuming public should know that this is being done, that their problems are receiving the attention they deserve, and that they are officially represented in the management of affairs that affect them so vitally.

#### Need for Independent Representation

The need for a federal consumer agency to provide representation for the 130 million consumers who as scattered individuals are comparatively inarticulate, is now generally conceded. Consumers, recognizing themselves as the citizens of the economic community, yet frustrated by the powerlessness of their position in a world of large scale organization, have become vocal in demanding proper representation through a government agency in the defense program. In a law court the state will provide an attorney for a defendant unable to secure one for himself. So in the carrying on of government the present Administration has established the democratic practice of providing representatives to speak for the consumers of the country, to help them in analyzing their problems and to assist them in presenting their case on public issues where their interests are involved. This is essential for the balancing of all interests under a democratic form of government and is particularly necessary during the present national emergency.

-5B-

-5-

Producer groups (manufacturers, distributors, farmers and laborers) are in a position to send representatives to appear at hearings or to present their briefs to administrative agencies. The masses of consumers are unable to do this. They have neither the organization nor the funds to make direct representation effective.

Further, the problems of producer groups are systematically analyzed by specialized government departments (Agriculture, Commerce, Labor) whereas the limited amount of work done on consumer problems is scattered among various agencies and lacks the coherence necessary for effective presentation to operating units in the defense set-up. If this weakness is to be overcome it must be through the establishment of a central consumer agency which can draw all the informational fragments together, fill in the gaps that exist, analyze the significance of the total picture and present a coherent interpretation of the results.

#### Working relations

There is no question that the programs of price control, civilian allocation, coordinated purchasing, conservation, simplification and supply expansion, carried on by the administrative units responsible for these functions will make a major, direct contribution to the attainment of the desired ends. But in addition to this, there is an important and distinctive contribution to be made by a consumer unit working closely with them on an officially recognized basis in the formulation of policies and in the carrying out of the programs adopted. The specific nature of this contribution is explained in the detailed description of functions which follows.

-6B-

General Functions of a Consumer Office for Defense

The Consumer Office for Defense should have authority for carrying on all the functions performed by the Consumer Division of the Office of Price Administration and Civilian Supply, together with such other functions as may be necessary to insure adequate representation of consumer interests in the management of the defense program and as will contribute to the fullest possible protection of living standards during the emergency. They should definitely include:

## A. Analysis and Research

1. To estimate the magnitude and the relative importance of consumer needs for the different types of goods and services that are essential to the maintenance of living standards: food, clothing, shelter, furnishings, household operations, transportation, personal and medical care, recreation and education.
2. To make such studies of the problems created, or likely to be created, for consumers by the emergency as are necessary to keep the administration informed of how people in their economic lives are being affected by the defense program and how they are reacting to it; to make such studies as are necessary to provide a basis for assisting consumers to meet problems as they arise through constructive efforts of their own.
3. To formulate the commodity specifications that are necessary in price ceiling orders to prevent evasion through quality deterioration and allied means.
4. To develop methods for the formulation of adequate quality standards for the simplification of consumer goods, and for the conservation of resources used in their production and distribution.

-7-

5. To devise measures to promote the fullest employment and most efficient utilization of the resources available for consumer goods production.
6. To analyze the effects of emergency measures on the income and standards of living of all classes of consumers; to study the incidence of sacrifices on different groups; and to formulate plans through which they can be borne with the greatest attainable degree of equity and with the least impairment of national health, welfare and efficiency.

#### B. Representation and Cooperation

1. To insure, through close cooperation with other government agencies, that all information developed through the functions described in Section A is made available to them and that consumer interests are duly considered in the formulation and administration of their program.
2. To promote cooperation among the various government agencies in developing programs for services to and protection of the consumer.
3. To cooperate in the establishment of consumer interest committees on the state and local levels; to assist in coordinating their programs with the total defense program through integration with state and local defense councils or through the establishment of whatever working relations are best suited to the circumstances.
4. To formulate programs in which the cooperation of retailers and other business groups will be enlisted to check scare advertising, to prevent hidden quality deterioration, to promote informative selling and to develop marketing methods that will be helpful to consumer buyers.

-8B-

-8-

5. To cooperate with lay organizations, professional groups, trade unions, cooperatives, educational institutions and others in the development of programs for the protection and strengthening of living standards, including: local programs for the fullest possible utilization of community resources, the development of the most effective consumer services, and the most effective resistance to unnecessary increases in living costs; national or state programs to guide the members of these organizations in their participation in such local measures.

C. Interpretation and Education

1. To provide market information to consumers which will assist them in: conserving the nation's resources through their increased efficiency in the purchase of goods, directing their buying to goods that are least in competition with defense requirements; distinguishing in their reactions between price increases that are economically justifiable and those that are unwarranted, securing with their incomes the goods and services that will best maintain the health and efficiency of their families.
2. To provide consumers with commodity use information which will assist them in: conserving the nation's resources through the more efficient use of the goods available to them; prolonging the life of the durable goods in their possession which would be difficult to replace; making such use of available goods as will best maintain the health and efficiency of their families.

-9B-

-9-

3. To interpret the defense program to consumers; to explain to them the effects of various measures proposed or adopted; to explain to them, as citizens of the economic community, the reasons behind these measures and the position taken by the Consumer Division with respect to them, providing them with a basis for understanding the sacrifices which are unavoidable and for distinguishing them from those which are wasteful or unnecessary.
4. To promote these objectives through cooperation with all available educational services, through study and activity programs, informational bulletins, information centers, press releases, consumer columns in newspapers, magazine articles, radio broadcasts, motion picture shorts, poster campaigns and through the use of any other media that are found effective.

In order to carry out these functions the Consumer Office must have access to all information available in the offices of other agencies which is necessary for the carrying out of its functions. It must have the right to official representation and participation in the work of the Price Division of OPA, the Civilian Supply, Priorities, and Purchases Divisions of OPM.

For examples of memoranda relating to materials discussed, see

Appendix C:

Plan of Operation for Wholesale and Retail Price Control  
Establishment of a committee to plan the rationing of goods at  
the consumer level  
Consumers' role in resisting unwarranted price increases  
Steel Capacity and Requirements  
The Power Supply and the Civilian Interest  
Statement on Corn Loan  
Agricultural Production Plan  
Consumer Interest in Parity Prices

-108-

### C. Functional Divisions in a Consumer Office

NOTE: When I presented the plan for a Consumer Office, I also presented these detailed outlines on the functional divisions.

#### I. Standards and Consumer Needs Division

A downward spiral in quality and standards is just as disastrous as the upward spiral in prices.

A Standard and Needs Division was one of the first divisions created in the Consumer Office of National Defense. When the Consumer Office was abolished, this Division was taken over by the Office of Price Administration. I continue to believe that it should be in a consumer office.

#### II. Division of Consumption Economics and Research

We had created this Division in our Consumer Office, and it might have continued in the proposed office. This Division was directed by a man who came to my assistance from the program planning group of the Bureau of Agricultural Economics.

#### III. Consumer Publications Division

There was and there is a real need for intelligent and accurate information to be given to consumers. If the work which we began in this field had been continued, the public might be receiving well-integrated information. Different Government agencies have facts which should be given to the public in coordinated reports which would assist the public in understanding the total economic situation. As it is now, the public must read many technical reports from various agencies to secure the facts.

#### IV. Consumer Relations Division

This Division is essential if a Government agency expects to reach the many social and economic groups which need assistance in understanding consumer needs and problems.

The outline suggests the way in which we were attempting to contact all types of people.

We had created this public relations program in an effort to tie into the Government the different groups which might assist us in developing a real consumer movement in the United States.

## I Standards and Consumer Needs Division\*

### Functions of Division

With the diversion of productive resources from civilian to military production and the consequent necessity for consumers to tighten their belts just at a time when the strength, efficiency and morale of the nation is of the greatest importance for national security, it is imperative that the management of the civilian economy be carried on with fullest possible knowledge of the relative urgency of different types of consumer needs and of the methods by which commodities can be adapted to conserve strategic materials with the minimum of sacrifice in terms of essential use values.

Wherever it is a choice between the production of luxuries or the production of necessities, the maintenance of national strength requires that the luxuries be sacrificed rather than the necessities. Even above the level of bare necessities, good economy requires that preference be given to more urgent rather than less urgent needs. This applies not only to commodities in their entirety, but also to the gadgets and trimmings which add luxury features to goods beyond what is necessary to enable them to perform the essential services for which they are intended. In the stripping down of commodities to get the greatest use value for the resources put into them, the contributions of a technical standards staff will be particularly important.

---

\* This Division will carry on the functions at present belonging to the Standards Section of the Consumer Division in OPA.

-2-

In all the work of conservation and civilian allocation, judgments about consumer needs will, of necessity, have to be made by someone. Admitting that precise judgments of complete validity are unattainable, it is still true that a systematic analysis of consumer needs will make the difference between enlightened and unenlightened decisions. The study of these needs is clearly a function that will be best performed by a specialized consumer agency. Since the ratings depend on comparisons of needs for all kinds of commodities, they could not properly be made by operating units dealing with particular product groups. Since the administrator of allocations will have the cases of each industrial group and each labor group affected effectively presented to him, it will be most helpful to him, in reaching a balanced decision as a public official, to have the relevant analysis from the consumer point of view presented to him from an independent agency set up to undertake that specific responsibility.

Similarly, in the work of the Conservation Bureau in OPM, the participation of the Consumer Office will be essential. Here the functions more closely resemble one another and the work should be so arranged that the lead in dealing with consumer goods will be in the hands of the Consumer Office while the lead in dealing with military and industrial goods will belong to OPM.

The same technical knowledge required for the performance of the above functions is needed for the establishment of specifications in price ceiling orders on consumer goods. Unless the products put under price control are strictly defined, the orders can be evaded through quality deterioration or other character alterations. Although this may seem unimportant from the point of view of price stabilization and the prevention of inflation as measured by price indexes, it is of vital importance in maintaining the standard of living and

-13C-

-3-

preventing a serious undermining of morale as the effects of the changes become apparent. Responsibility should be placed definitely in the Consumer Office for Defense for setting up the necessary specifications to prevent a downward spiral in quality.

Most of the working relations described above have been informally accepted as the basis of operations to date, but they need to be clarified and confirmed in order to make the continuance of the program effective and efficient.

#### Functions of Sections

The work of the Standards and Consumer Needs Division will be divided under four main heads: (1) consumer needs, (2) technical information, (3) simplification and efficiency, and (4) liaison relations.

##### 1. Consumer Needs:

This work involves diagnosis of consumer needs for various classes of goods under recognized minimum levels of material and cultural standards of living. It will proceed on two levels. First, an appraisal will be made of the relative importance of what might be termed "absolute" shortages which exist outside of the emergency situation and which are conducive to a real weakening of the physical strength and morale of the population as a whole. This work will involve spotting shortages by classes of goods, by income levels, and by regional distribution. The second level has to do with the impact of defense shortages upon consumer demand above and consumer need below these diagnosed basic standard of living levels.

A minimum of original research is involved on the first or "absolute" level. What is known about obsolescence rates for various durable goods, about the actual nutritional and morale building recreational facilities

-148-

-4-

and other significant factors of the problem for different sections of the country is meagre. A systematic effort, however, to pull together from all of the published source materials on the one hand, and all the various current field and investigatory staffs of the Federal Government on the other, should provide the section with sufficiently good data to form a basis for rating urgency of need as it exists irrespective of the emergency situation and to make possible the implementation of this schedule for different types of goods in a manner sufficiently definite for programmatic action. The Bureau of the Census, the Bureau of Labor Statistics, market analysis data of various advertising agencies, special marketing services, and commercial media have already prepared or have on hand material which we can easily obtain and which should contribute towards the solution of the consumer commodity rating problem. With these and other available data the job still remains, item by item and commodity by commodity, of establishing criteria of relative need. On the informational side the task is one of sifting and collation; on the policy side it is one of forging criteria for specific commodities and services which are clearly in line with the larger objectives of a democratic society in moment of national peril.

## 2. Technical Information:

Given the judgment of our Consumer Needs Section on what is most important in the rating of various classes of commodities and services from the point of view of consumer urgency and of the relative ease with which

-15C-

-5-

different types of such commodities and services most clearly meet these needs, the job of a technical standards staff is to define or specify in detail the more or less exact properties of the various commodities selected for attention and to work out means for identifying those commodities to the unskilled layman. The staff must attempt to insure that proposals being made are definitely feasible on the short run from both a manufacturing and a distribution point of view. Specifically that means that wherever there is a shortage of materials such as ferro-alloys in the durable goods field, or a shortage of manufacturing capacity, or of skilled man power, or of shipping space, or again where costs have been unduly enhanced anywhere along the line (with the result that prices have unduly increased to the ultimate consumer) the section must ascertain whether or not it is possible to suggest changes in the type of goods produced which may provide the basis for reversing these costs and price trends to the benefit of the ultimate consumer by way of standards, grades, specifications and quality-identifying systems which can be understood by the technically unformed layman.

These problems range all the way from general questions of simplification of line and type for various durable goods such as automobiles and refrigerators on the one hand, to better information on the use of various

-16C-

-6-

types of ordinary goods and materials by the ultimate consumer on the other. In the case of automobiles, for example, it seems entirely possible that out of the available stock piles of materials it should be possible to get many more highly useful cars, capable of supplying the civilian population with many millions of additional miles of needed transportation by concentrating on lower over-all car weights, eliminating deluxe models, cutting down on the higher cylinder and heavier engine horse power units, eliminating unnecessary, and in the main not very esthetic, gadgets, special metal trim, etc. It ought to be possible for these cars, so constructed, to provide more miles per gallon of gasoline and per quart of oil than if the alternative types were constructed. (See Exhibit A attached) At the other extreme, such a simple device as buying one's household soaps long enough in advance to permit the soap to dry out will mean in normal use an increase in life per bar of about one-third.

Between these two extremes lie the entire range of the multifarious types of standards, grades and specifications which can be used to make available to the ultimate consumer the equivalent of the methods and technics employed by the skilled commercial and institutional buyer. It was estimated in the middle twenties that the Federal Government by such means was able to save out of its ordinary budget around one hundred million dollars. Savings have been effected along these lines by purchasing agents in cities such as New York, Cincinnati, and Milwaukee. It has been estimated that certain lines of canned goods, duly identified by grade labels, would save the ultimate

-17C-

-7-

consumer from \$2400 to \$4800 per box car. Along with the saving there should go improvements in the actual quality of goods. These changes which have always been possible become, in the face of the national emergency, imperative if the functional needs of the population as a whole are to be met and still allow sufficient resources for the defense program.

### 3. Simplification and Efficiency:

The objective of the staff here is to translate into economic terms the implications of recommendations made by the technical staff in line with the diagnoses of the consumer need staff as they relate to manufacturing and distribution processes. That means an appraisal of what can be saved in materials, in better utilization of the plant, in elimination or in cutting down of the required man power per volume of output, of certain types of costs tied in with ratios of stock to turnover et cetera, on the one hand and the whole structure of distribution costs on the other.

In this same section a special effort is being made to discover the probable impact of recommendations, once put into practice, upon the status of little business, various types of collusive practices, various types of rather specialized distribution costs, the regional distribution of productive facilities, the structure of transportation, et cetera. This work does not mean, for example, study of the status of the little business man as such, but only of the bearing of these recommendations upon that status. It is the duty, likewise, of the economics staff to

-18C-

-8-

try to figure out commodity by commodity and service by service the over-all possible savings in terms of dollars and cents to institutional and ultimate consumers groups by the cumulative shift of purchasing habits over from a haphazard hit or miss basis to buying along more or less scientific lines.

It should be emphasized of course that in the main, and here only insofar as the emergency situation is involved, this type of work need not and does not circumscribe consumer freedom of choice nor, properly handled, does it mean the slightest reduction to the "one dead level". Rather the reverse, for it implies a systematic and orderly attempt to make possible accurate buying by the ultimate consumer to his maximum advantage in pursuit of definite standards of need and towards fundamental living objectives.

In the national emergency and in the face of larger shortages, this need becomes a patriotic duty. Along with that it provides a fairly clear cut way of appraising, so far as the civilian supply side is concerned, the exact amounts of the superfluous economic "fat" in our current system of production and distribution.

#### 4. Liaison Relations

Once we have made our recommendations we need to be prepared to present them before the various sections of the Office of Price Administration and the Office of Production Management in a convincing and logical fashion. Our professional negotiators will have placed in their hands the finished work of our technical and research staff. In conference with staff members who worked up each separate report, negotiators should be able quickly to draw a line

-190-

-9-

between major policy directives and the details of implementation. At need, negotiators may take along with them staff experts to aid them in translating larger policies into the specifics of practice. But it will be up to the negotiators to meet with the industry committees, and before all business and government agencies charged with policy formulation or the duties of administration to argue the case of the ultimate consumer interest as it has been defined by the staff, and concretized in definite recommendations.

#### Methods of Operation

Staff members are doing a minimum of original research. Rather, the job of this Division is one of collation of available material from within and outside governmental sources and the sifting and focusing of this material preparatory to the making of definite recommendations. Such recommendations are the resultants not only of the opinions of the staff members but of the most careful check which can be made of expert opinion. For the purpose of carrying through such check we have set up a special Standards Advisory Panel drawn from commercial specialists, governmental commodity testing and standards formulating and promulgating agencies. The Panel, as yet incomplete, is to be made up of a very wide cross section. In fact, it is expected that every specialist from every testing or standards promulgating agency in the country at all interested in aiding our work will be enlisted. It is run by a steering committee (see Exhibit B) which is to meet in Washington every third Friday of the month with a definite agenda. Two such meetings have already taken place. The agenda for the second of these two meetings is attached. (See Exhibit C)

-20C-

-10-

On this panel are to be found representatives of the various Governmental agencies such as the Bureau of Standards, Bureau of Home Economics, Agricultural Marketing Service, and the Pure Food and Drug Administration, with which we are in continuous contact and to which our relationship again is that of a coordinating and focusing agency so far as consumer problems are concerned in the emergency situation.

Supplementing the negotiation work of the staff is the general program of educational promotion for which we have undertaken to set up two additional advisory panels. The first of these, the Governmental and Institutional Purchasing Agents Advisory Panel, which is to meet at the same time and under the same conditions as the Standards Advisory Panel outlined above, has for its function the promotion of scientific purchasing on the part of Governmental and Institutional Purchasing Agents throughout the country. This panel, which is to have as wide a membership cross section as possible, has a steering committee made up of the following persons: Mr. Joseph N. Nicholson, Purchasing Agent for the City of Milwaukee; Mr. Walter N. Kirkman, Director of the Department of Budget and Procurement for the State of Maryland; Dr. Paul J. Witte, Chief of the Bureau of Standardization, Central Testing Laboratory for the City of New York; Mr. Henry Abbett, Purchasing Agent of Purdue University; Mr. Theodore M. Johnson, Supervisor of Purchases for New York University; Mr. W. E. P. Collins, Purchasing Agent of the Hospital Bureau of Standards and Supplies. Three or four additional names will be added to this panel by the time of the next meeting. The agenda of the second meeting of the Panel is attached. (See Exhibit D)

-21c-

-11-

Parallel to the above mentioned panels, meeting under the same circumstances and at the same time, is the Consumer Goods Distribution and Use Panel. Its steering committee is made up of members of Retail and Consumer organizations, with one or two manufacturers, especially interested in this type of work added thereto. (See Exhibit E) This panel has as its function the promotion of standards, grades, informative and quality-identifying labeling for consumer goods on the one hand and for more scientific buying habits on the part of retailer and ultimate consumer on the other. Its work, in other words, is analogous for the ultimate consumer to that of the Governmental and Institutional Purchasing Agents Advisory Panel which helps professional buyers to better serve the ultimate consumer.

As we are now operating, and with such modifications as we are in the process of introducing, our procedure in a given case will be roughly as follows.

We will know through information from our Consumer Needs Staff relatively how important each good and service is to the necessities side of the standard of living for various income and regional groups in the United States. That will mean we will conclude that so many refrigerators are more important than so many automobiles, pressure cookers or teaspoons. We do not expect to know the order of importance with precision but nevertheless to have some fairly definite idea that is more or less important that we have, let us say, so many pressure cookers made up of given metals than so many automobiles made out of the same or other given metals. Having

-220-

-12-

checked to know what consumers want, not as indicated in off-hand market surveys which register in large part the end result of high pressure advertising and selection efforts, but as evidenced by expert opinion on a combination of need, use and want, we will try to recommend ways and means of making these stock piles go as far as possible in meeting approved and clearly defined major needs. Specifically that will mean that we recommend that refrigerators be made in a certain way, because made in this way and according to these sizes and specifications the ultimate consuming public will get more and better refrigerators from the resources in question. It will be up to staff members, one from the technical and one from the economic section, to pull together "sponge-wise" all of the information concerned and to check findings against input from both inside and outside governmental institutions preparatory to making a final decision. We anticipate that through our advisory panels and similar means we will know both more about what consumers really want, on the one hand, and about what is definitely feasible from a manufacturing and distribution point of view, on the other hand, than is known anywhere else in the United States at the time we make our recommendation. If the goods in question fall into the durable class, our recommendations will be the product of conferences held with the Bureau of Standards, Bureau of Home Economics, American Standards Association, commercial testing laboratories such as Electrical Testing Laboratory and U. S. Testing Laboratories, the testing laboratories of

-230-

-13-

distributors such as Kaufman Brothers, Sears Roebuck and Company, expert consultants of universities and institutions, and specialists from the testing facilities of private testing organizations such as Consumers Union and Consumers Research. If our recommendation relates to food stuffs, our contacts and conferences will draw in the Agricultural Marketing Service, the Pure Food and Drug Administration, the Bureau of Home Economics and various especially constituted agencies outside the government, commercial and public alike, which have done work in this field.

A small committee made up especially of the chairman of the technical staff, the economics staff, the chief and the assistant chief of the Standards Section, will allocate these jobs week by week to different members of the staff with a dead line on the time at which the report of recommendation must be turned in. The report must be turned in in time for a specialist to collate and organize the report with a view to simplicity of presentation, clarity with which the points have been made, and the quality of the exhibit material submitted in support of recommendations from the point of view of presentation before the various commodity sections of OPA and OPS on the one hand, and the general public on the other. When that stage has been reached a member of the negotiating staff will take the finished report, assimilate and digest its contents, and then after as much contact in conferences with staff members who have worked on the report as is required in order to thoroughly familiarize himself with conditions and background, take it before the appropriate commodity sections of OPA

-240-

-14-

and OFM. If and when circumstances require, he will be able to take with him staff members or have them brought in to assist him on notice. The burden of negotiation, however, so far as the Consumer Division is concerned, will be entirely up to the negotiator.

Thus, the over-all job becomes one of knowing first precisely what we want to do in each specific situation with respect to each specific commodity or service, and then to soak up all of the available information inside and outside of the Government preparatory to checking with all the expert opinion we can reach, and then to present our recommendations in the strongest and most forceful manner possible before the appropriate special section of the given administrative emergency agency. Parallel to this, to provide a flow of materials and a clearing house of information for any and every interested group throughout the United States which can be educated to see that what we have undertaken to do is not only consistent with sound economics and good manufacturing and distribution methods, but also that it means making the best possible use of available resources for civilian purposes to meet the more urgent needs and desires of the civilian population. We believe ours is a distinctly democratic procedure, that it is educational in the best sense of the term, and that its sanctions are those which are basic to the type of democratic society which we are trying to protect against the threat of an autocratic totalitarianism.

-250-

## II. DIVISION OF CONSUMPTION ECONOMICS AND RESEARCH<sup>1/</sup>

The impact of the present national emergency has placed a greater emphasis on all phases of consumption economics than ever before.

The diversion of national industrial resources to military production will be so great as to reduce in many instances the quantities of goods available for civilian consumption. At the same time, the number of workers employed and the hours and wages of labor are increasing. The natural consequence is to increase greatly the effective demand for all kinds of consumers goods in relation to available supplies.

Price control under the proposed OPA program, allocation of civilian supplies through OPM, production and expenditures for national defense purposes, and virtually all other features of our national program will have significant and profound influences on the civilian standard of living in this country.

In view of the foregoing considerations and in order to provide the Director of the Consumer Office for Defense with the requisite economic data and analyses for the formulation of policy and of directives bearing on consumer relations and consumer problems, it is essential to have in the organization a specialized Division of Consumption Economics and Research.

It is the responsibility of this Division to analyse the effects of the national defense program on consumer income and demand, on the cost of living of all classes of consumers, and on the availability (present

---

<sup>1/</sup> This Division will carry on the functions at present belonging to the Consumer Policy Section of the Consumer Division of OPA.

-2-

and prospective) and equity of distribution of consumer goods, both durable and non-durable. The preparation of these analyses of this Division involves, among other things, the bringing together for the first time and in one place the great amount of basic and significant data bearing on the economic welfare of consumers now scattered through the various governmental agencies and other organizations.

Close working relations will be maintained with the other Divisions (Consumer Publications, Consumer Relations, and Standards and Consumer Needs) of the Consumer Office for Defense in order to supply all desired economic data, analyses, or special economic studies for facilitating the work and operations of these Divisions.

For the purpose of obtaining certain basic data and other material regularly collected and compiled by executive departments and bureaus, close contacts with the latter are also maintained. This applies likewise to working relations with other offices and sub-divisions of the Office for Emergency Management. For example, the Consumer Division has had a representative on the Priorities Board since its inception. The following special services have been secured from the Bureau of Labor Statistics to meet the needs of the cost of living section.

1. Monthly cost of living figures for 20 large cities which are representative of the cost of living in 33 cities collected quarterly.
2. Within 3 days of the date of collection semi-monthly data on retail prices of 18 foods for 18 cities which gives us some indication of the trend in the retail prices of 54 foods for 51 cities.

-270-

-3-

3. Weekly wholesale prices of selected consumer commodities.
4. Cost of living in 20 small cities. Some of this material has been collected.
5. Cost of living in selected defense city areas.
6. Rents in selected defense areas.
7. Daily telephone calls on wholesale prices of 28 basic commodities.

Members of the professional staff of the Division of Consumption Economics and Research are subject to assignment by the administrator of the Consumer Office of Defense as representatives of that Office for participation in activities affecting consumers carried on by the Price Division of OFA and by the Civilian Supply, Priorities, and Purchases Divisions of OPM, and by other government agencies. Division economists may also be assigned to the field temporarily to advise on state and local consumer problems of particular difficulty or significance.

The Division of Consumption Economics and Research is sub-divided into four major sections dealing with (1) consumer income and demand, (2) cost of living, (3) consumer supplies, and (4) special studies. A summary of the functions for each of these sections, together with a selected list of the more important analyses and economic memoranda prepared in recent months by the respective sections, follows.

#### Consumer Income and Demand Section

The Section carries on continuing studies of the effect of the defense program on consumer income and demand, with special emphasis on

-280-

-4-

the real income of consumers, and the distribution of income among various groups. Attention is devoted to the appearance of discrepancies between the money demand of the civilian population for goods and the available supplies of such goods.

Studies and analyses are made of the various consumer demand restrictions, such as the effect of taxation, curtailment of consumer credit, the incidence of rationing (wherever adopted formally or informally) on various income classes, and other factors tending to restrict effective consumer demands.

Close relations are maintained with the Income Section of the Bureau of Agricultural Economics, the Income Division of the Census Bureau and other agencies conducting special studies in the income field, particularly studies on the family income level.

Problems dealt with by this section are represented by the following memoranda prepared during recent months.

Fiscal Policy - The Proposal for Compulsory Savings  
 Cost of Living in Relation to Income  
 Curtailment of Consumer Credit  
 Curtailment of Automobile Production  
 Automobile Rationing: A Detailed Discussion  
 Inflation and Fiscal Policy  
 Financing of Civilian Production  
 Curtailment of Production of Durable Consumers' Goods  
 Control of Consumer Credit  
 Problem of Estimating the Numbers Likely to be Benefited by  
 Inflation

(For examples, see Appendix II A)

#### Cost of Living Section

The Cost of Living Section carries on continuing studies of the effect of the defense program on the cost of living, relying on available

-5-

data regularly collected by existing agencies, such as the Bureau of Labor Statistics and on special studies, particularly of defense areas and income groups.

Studies are made of the costs of non-durable goods by groups, such as foods, clothing, and so on; by selected commodities, such as fats and oils, sugar, milk, meats, and coffee; of the costs of selected consumer durable goods; and of the costs of selected services important to consumers.

This section cooperates with the Price Division of OPA, the Cost of Living Division of the Bureau of Labor Statistics and other agencies concerned with prices of consumer goods or the cost of living.

The following list is representative of memoranda prepared by this section:

- Cost of Living in Defense Centers
- War-Economy Inflation and the Consumer
- The Price Raising Influence of Priorities Regulations
- Effect of 100-Per Cent Parity Prices on Retail Prices
- What Retail Prices Should Consumers Pay for Sugar
- Effect of the Defense Program on Various Classes of  
Consumer Goods
- Analysis of the Coffee Price Situation
- Ceiling Price for Raw Sugar - Statement and Economic Analysis
- The Concept and Measurement of Price Parity

(For examples, see Appendix II B).

#### Consumer Supplies Section

Estimates are prepared in this section of current and future supplies of the major categories of consumer goods. These involve current production, inventories, net imports or net exports, and the effect of priorities and allocations of industrial raw materials.

-300-

-6-

Estimates are made of shortages of consumers goods and the effect of these probable shortages on the various income classes.

The allocation of strategic materials is studied to determine their best available use among the various kinds of durable consumer goods.

Studies are made of the effects of the purchase of consumer supplies by the armed forces on the supplies available for civilian distribution.

Close relations are maintained with the Civilian Supply Division of OPM, the Consumer Durable Goods Section and the Food Section of the Price Division in OPA and other agencies concerned with civilian supply.

Illustrative of the work of this section are the following memoranda:

The Outlook for Food Supplies and Prices  
Effect of Defense Activity on Food Supply  
Japan and the American Consumer

(For examples, see Appendix II C).

Special Studies Section

This Section will provide for the carrying out of short-term, non-recurring studies on pressing issues of importance to the consumer which fall outside the more continuous type of research performed in the other sections of this division.

Professional personnel will be provided for temporary field assignments to analyze and advise on state or local consumer problems requiring trained specialists.

The following titles are representative of memoranda that would be prepared in this section:

-7-

Preliminary Classification of Consumer Goods on  
the Basis of Consumer Needs  
Financing of British Purchases and the Consumer  
The Gasoline Reduction and the Need for Rationing  
Compilation of Consumer Durable Goods  
The War-time Prices and Trade Board - A Study of  
Consumer Protection, under War Conditions, in Canada  
Estimated Import Requirements for Fiscal Year 1942 of  
Import Articles Classified According to Essentiality  
Outline for Proposed Legislation on Price Control  
The Need of a Policy on Price Control  
Washington, D. C. Milk Situation

(For examples, see Appendix II D).

-320-

### III Consumer Publications Division\*

#### General Functions

The defense program is so enormous in its demands for materials, men, and money and it has developed so rapidly that consumers are still groping for an understanding of its effects upon their lives. They are seeking information about why certain sacrifices may be necessary and what effects upon the prices and supplies of commodities which they buy may be expected.

The chief functions of this Division are:

- (a) To provide market and commodity information to consumers which will help them in maintaining an adequate standard of living and in increasing their efficiency in the purchase of goods.
- (b) To provide information which will enable consumers to conserve the nation's resources through the more efficient use of goods which they already have.
- (c) To translate the direct and indirect effects of the defense program into simple, understandable terms, to show that certain adjustments are unavoidable and necessary and that in terms of our national objectives they are right and just.

The work of the other agencies of the Office for Emergency Management is largely concerned with production, purchase, and priorities

---

\* This Division will carry on the functions at present belonging to the Consumer Publications Section of the Consumer Division in OPA.

-2-

as it relates to the defense effort as a whole. The publicity arising from these different activities is devoted to the progress of this vital work, the planning and the carrying out of the tasks before us and the organization and personnel necessary to do this unprecedented job.

The task of the Consumer Publications Division is, as it were, to pick up where the others leave off. It is to show the impact of the defense program upon the supplies and prices of the things we eat, the clothes we wear, the furnishings for our homes and the durable consumer goods which we use. It is in no sense a duplication of the work of any other defense or non-defense agencies but a supplement to their work in order that the public may clearly understand the reasons behind the changes in our manner of living and in our way of life which have already taken place and which are before us.

The work of this Division is related closely to the work of the Information Division of OEM and is carefully integrated with it. Initiative in preparing material for publication and putting it in the form most effective for attaining the desired objectives is in the hands of this Division, but all manuscripts will be cleared before publication with the OEM Information Division. Similarly, although initiative will be taken by the Consumer Publications Division in cultivating an interest in consumer materials on the part of disseminating media, particularly the journals of organizations contacted by the Consumer Relations Division, all interviews and releases, feature articles, etc., will be cleared with the Information Division.

-34C-

-3-

In the developing of the necessary material and factual information, the Consumer Publications Division will lean heavily on other sections both within the defense organization and other governmental departments. On price information, for instance, the Price Division of OPA will naturally be consulted. For quality changes on consumer goods, the Standards Division of this office will be asked to develop the needed data. For cost of living data, the Bureau of Labor Statistics of the U. S. Department of Labor will be asked to furnish information. Other departments will likewise be consulted as the occasion demands.

Functions of the sections:

Four sections have been set up within this Division to carry out the general purposes as outlined above. These are: (1) Articles and Speeches Section, (2) Market Data Collection Section, (3) Press and Periodical Materials Section, and (4) Radio and Motion Picture Materials Section.

The work of these sections will be to provide materials which will help the consuming public adapt its living and buying habits as easily and as rapidly as possible to the demands of the defense emergency and which will be distributed through one or more of the following channels: News and feature articles in newspapers and magazines; Consumer Prices, the semi-monthly publication of this office; radio, news reels and motion picture shorts; a bulletin series on consumer buying problems and how to deal with them.

The explanation of the work of each of the four sections is as follows:

-35C-

-4-

(1) Articles and Speeches Section:

This work involves the correct and persuasive articulation of the policy and program of this office for the mass audience. By means of these articles and speeches, a direct medium of contact is maintained through which leadership can be exercised and salient facts about the relation of the consumer to the over-all defense effort can be presented.

The demand for articles from magazines and for speech material has become so great that it has become necessary to set up a separate unit to handle this work.

Upon request, this unit will prepare finished manuscripts of articles for use in magazines which will explain the work of the Consumer Division and interpret the impact of the defense program on consumer goods. Upon request, this unit will also supply needed factual material to staff writers of magazines. All requests and all finished manuscripts will be cleared through the publicity office of OPA.

In addition, upon this unit rests the responsibility of preparing first drafts of speeches as may be needed by the Associate Administrator or other staff members. This unit will be responsible for the factual content and accuracy of all speech material.

Important articles and speeches which have been prepared are listed below:

Articles:

"The Homemakers' Art is a Defense Weapon" by Miss Harriet Elliott, head of the Consumer Division and Associate Administrator of OPA, to appear

-5-

in the December issue of the Ladies Home Journal.

"What We are Defending Today" by Miss Elliott, to appear in the October issue of the Journal of the National Federation of Business and Professional Women's Clubs, Inc.

"Your Home is a Unit of Defense" by Miss Elliott, to appear in an early issue of the Journal of the General Federation of Women's Clubs.

"Inflation Will Take its Toll in the Home" by Miss Elliott which appeared in the September issue, 1941, of The Democratic Digest.

Requests for articles (not yet filled) include the following:

Article on "Our Bill of Rights" to be included in a volume of that title which will be published in connection with the Sesquicentennial Celebration on December 15 by the Council Against Intolerance in America.

Article for The Methodist Woman, publication of the Board of Missions and Church Extension of the Methodist Church.

Article for The Labor Review, publication of the Department of Labor.

Series of articles for the Consumer Education Association. An early issue of the publication of this association will be given over almost entirely to the Consumer Division.

Speeches:

"The Consumer Faces Inflation" by Miss Elliott at the Conference on Nutrition and Consumer Problems for Defense at Harrisburg, Pennsylvania, September 26.

"The Consumer and Defense" by Miss Elliott at the Regional Conference of American and Canadian Country Women, Ottawa, Ontario, September 4.

-37C-

-6-

"The Dangers of Inflation" by Miss Elliott before the North Carolina League of Municipalities, Durham, North Carolina, August 15.

Radio address on reduction of production of consumers' goods by Miss Elliott over Columbia Broadcasting System, July 20.

"Nutrition and Consumer Protection in Defense" by Miss Elliott before the National Nutrition Conference, Washington, May 27.

"Price and Quality" by Miss Elliott before the Defense Conference on Consumer Goods, Department of Commerce, Washington, May 2.

"The Power of an Idea" by Miss Elliott before the annual convention of the American Association of University Women, Cincinnati, May 6.

(For representative examples, see Appendix III A)

(2) Market Data Collection Section:

We are now in a period in which scarcities of consumer goods together with higher prices make the problem of intelligent purchasing increasingly difficult. It is the function of this section to bring together the necessary facts and information which can be used to help consumers spend their money efficiently in the buying of food, clothing, and home furnishings, and which will reveal how consumers can direct their buying to those goods which are least in competition with defense requirements. In general, the work of this section will be to provide the basic data for the use of the other three sections which can be used to help consumers maintain an adequate standard of health and efficiency in this critical period.

The primary task in this section will be to keep closely in

-7-

touch with the market trends of food, drugs, clothing, shelter, home furnishings and fuel. This will be done by tapping available sources of information within the defense organization, other governmental departments, and trade sources in order that needed information can rapidly be given to the public. This section will provide a clearing house of timely and accurate information which will be drawn upon for the factual basis of the work of the other three sections.

(3) Press and Periodical Materials Section:

The functions of this section are two: (a) to provide market and commodity information with reference to price, supply, substitutes, and use to consumers through the press and periodicals and (b) to give necessary publicity to the activities of the division.

(a) Providing market and commodity information for consumers:

Consumer Prices, the semi-monthly publication of this section is one of the primary sources of distribution of market and commodity information to the public.

The purpose of this publication is to bring to group leaders throughout the country (the heads of civic organizations, defense councils, parent-teacher associations, labor unions, teachers, church groups, etc.) basic information about the cost of living changes, the reasons behind these, and the best ways in which consumers can cooperate in the defense program in planning their buying and living schedules.

The demand for this publication has increased rapidly. Its circulation is now about 10,000. In view of the fact that additional

-8-

calls usually require 2,000 or more copies, the last printing order was for 13,000. As indicated above, the circulation of this publication is largely among group leaders. It is sent without charge upon request.

It is now planned to have this publication printed in the Government Printing Office. This will make it possible to cut the cost of production materially. In addition the material can be presented in a more interesting form and illustrations can be effectively used. In order to cover the group leaders of the country as listed above, a circulation of at least 50,000 is planned for and 100,000 would probably still leave some gaps to be filled.

The titles of important articles from recent issues of Consumer Prices are as follows:

National Defense and Your Hosiery  
How to Buy Children's Clothes  
Good Buys in Foods  
Fighting the Rise in Prices  
Your Refrigerator and Defense  
Save Electric Power  
Consumer Protection in Detroit  
Your Car and National Defense  
Fill Your Coal Bin Now  
Conserve Furnace Oil and Gasoline  
Buying Work Clothing  
Stretching Your Food Dollar

-400-

-9-

### Our Food Supplies and British Needs

(For representative examples see Appendix III B)

For some months advice on "best buys" in fruits, vegetables, and meats have been presented in Consumer Prices, the semi-monthly publication of the Consumer Division with the cooperation of the Consumers' Counsel of the Department of Agriculture and the Bureau of Labor Statistics.

In addition to this, with the cooperation of the Office of the Quartermaster General, final tests are now being made with reference to a service which will provide information on "best buys" of fruits and vegetable to 29 regions in which Quartermaster Market Centers are located. It has been arranged for each of these 29 offices to put on the teletype circuit every Wednesday morning a 40 to 50-word factual summary of the best buys in these territories. This will be received in the office of the Consumer Division on our teletype machine, connected with the Army Quartermaster circuit. These brief messages will be recast in the form of news stories and distributed throughout the country through the Associated Press, the United Press, and the International News Service.

The service began on an experimental basis on September 17 and by early in October it is expected to be in full operation. The press services have previously indicated that this type of information was wanted and that it would be welcomed by consumers throughout the country. The result of this service, it is believed, will be the better and quicker distribution of fruits and vegetables and a material aid to consumers in planning their buying for the week.

-410-

-10-

It is important that Defense should include a page for consumers. Negotiations have been carried on to effect this with the Office of Information of ODM. Specimen copy has been prepared and several articles have been used. Within the next few weeks it is hoped that a regular page can be established. This will be devoted to current developments in prices and commodities translated into consumer terms, interpretation of price orders which affect consumer goods, material about the activities of the Consumer Division as a whole, and about activities of consumer organizations which are making significant contributions to the solution of problems of the cost of living, housing and rents. Whenever possible news releases will also be prepared on the basis of this information in order that it may be disseminated as widely as possible.

A page "News for Retailers" was started in Defense on April 8 by the Consumer Division at the specific request of Donald Nelson, then head of the Division of Purchases of ODM, together with that of Fred Lazarus, head of the Retailers' Advisory Committee. It was felt to be necessary that businessmen be provided with background information about defense work and the effects of this on civilian prices and supplies. By having this additional information, it was believed, both retailers and manufacturers would have a clearer understanding of defense orders in relation to civilian supplies of certain commodities, and would be able to guide themselves more accurately. This page has appeared regularly in Defense since that time.

A complete file of these pages is provided in Appendix III C.

-42C-

-11-

There is an increasing demand from daily and weekly newspapers, the labor, church, negro and foreign language press for helpful information on consumer commodities. In order to satisfy this demand, at least in part, Consumer Prices is now being sent to the 400 editors of women's pages of the nation's daily newspapers. Replies indicate that this material is being re-used on a wide scale. In addition to this, Consumer Division material has been widely used in the Negro press. Inquiries received indicate that a number of weekly publications would be glad to use material each week dealing with the relation of the defense effort to consumer goods. Papers in the foreign language field have also expressed an interest in this type of material.

All of these indications lead to the conclusion that there is a widespread demand for concrete information on food, clothing, home furnishings, fuel, etc., which will help consumers to meet their needs and maintain a satisfactory standard of living in the present emergency. This type of service should be expanded as rapidly as possible.

In addition to material to be distributed through press and periodicals, a bulletin series for general distribution is also planned. Some of the material which has appeared in Consumer Prices is considered so generally useful that it should be prepared for distribution to the general public in the form of small illustrated pamphlets.

The first series is entitled, Consumers Defend America, and will deal with the following subjects:

Your Food Buying and National Defense

Your Car and National Defense

-43C-

-12-

### Your Refrigerator and National Defense

These will be made available to group leaders and to others interested in improved consumer efficiency. Copy is now being revised and the first of these will be issued within the next few weeks.

(b) Providing the necessary publicity to the activities of the division:

In addition to gathering and distributing information on consumer commodities, as outlined above, the work of this section includes that of preparing press releases concerning news developments within the division. This includes releases on the activities of the head of the Consumer Division, releases on the results of meetings, section activities, etc.

This section must also serve as a central source of defense information for the staff of the Division. It must maintain the necessary contacts with the officials of the Division of Information of OEM and the heads of the Information Divisions of the other offices of defense and non-defense agencies in order that general publicity policies may be in harmony. It must provide for the necessary clearance of all speeches, press and radio materials.

(A file of recent releases is provided in Exhibit III D)

(4) Radio and Motion Picture Materials Section:

This unit has as its objective the full use of these two media for the distribution of news and information about the work of the Consumer Division, in particular news and advice about commodities.

-44C-

-13-

Beginning in May of this year, arrangements were made with the Agricultural Marketing Service to include on their local market news broadcasts material from the Consumer Division. This service has gradually been broadened and expanded until there are now 30 stations cooperating.

The material presented over this medium consists of basic data from Consumer Prices together with other material of a like nature which will aid consumers in their day-to-day problems. It is planned to extend and broaden this service as rapidly as possible. In all, 95 programs have been presented over this medium. The list of stations together with recent scripts are presented in Appendix III E.

Since June of this year, the Consumer Division has also been a co-sponsor of the program "Consumer Time" which is put on the air weekly by the Consumers' Counsel of the Department of Agriculture. This program is 15 minutes long and goes out over a National Broadcasting Company network.

A radio transcription series is now in process of preparation. There will be 5-minute transcriptions, tentatively titled "Defense Facts for Consumers," each of which will give advice to consumers on a buying, conservation or use problem arising out of the defense program. Among the subjects to be covered are: Your automobile, your refrigerator, food buying, buying children's clothing, hoarding, simplification, electric power, silk hosiery, kitchen utensils, washing machines, you and inflation. Arrangements are being made with the Radio Section, Division of Information, OEM, to have these transcriptions carried by the 300-odd radio stations which are currently broadcasting OEM transcriptions.

-45C-

-14-

In addition to the program outlined above, plans are now in preparation for the more intensive use of radio for distributing commodity news to consumers over the radio in the form of "Defense Bulletins for Consumers." This project has been discussed and approved by the Radio Section of the Division of Information.

Motion pictures constitute a medium which can be used on occasion to distribute news and information. When the run on hosiery counters was just beginning to get under way, Miss Harriet Elliott, head of the Consumer Division, CPA, appeared before the news reel camera to urge women not to become panicky about hosiery but to buy in a normal fashion. Other news developments will doubtless offer occasion for the use of this medium from time to time.

In addition to this, however, there is a much broader field which can be used as time, money and staff permits. This is the field of the longer educational picture. If properly handled, it can present most effectively and interestingly the story of the impact of the defense program on commodities and the cost of living. In the development of ideas along this line, there will be full consultation with the motion picture division of the Information Division, OEM.

-466-

#### IV. Consumer Relations Division \*

##### General Functions

America is committed to total defense. Total defense means gearing our economic structure, not only to the production of armaments, but also to the strengthening of the health and morale of every individual in every home in every community.

In this gigantic undertaking, each individual as a consumer is a vital link in defense. Therefore, the success of this nation's defense will be determined not only by the increase of our military strength through the production of tanks, planes, and ships, but also by the strengthening of the physical and moral stamina of each person in our nation.

In the present world struggle of economic systems versus economic systems, the civilian population loses its special group interests as producer, manufacturer, retailer, or as farmer, laborer, or business man, in the over-all interest of economic citizenship.

Success in achieving all-out aid to the democracies will depend as much upon what the 132 million consumers do to maintain and build their strength and morale as upon the armaments that roll from the assembly lines of the factories of this country.

Civilian consumers are bound into this defense effort as surely and as importantly as are the men in uniform.

---

\* This Division will carry on the functions at present belonging to the Consumer Relations Section of the Consumer Division in OPA.

- 2 -

In recognition of this truth, the Consumer Relations Division of the Consumer Office is charged with the responsibility of reaching consumers directly for the purpose of helping them help themselves by knowing the facts of economic citizenship and taking effective economic action on the problems and issues that confront them.

Promotion of economic citizenship in the present crisis requires an education program that will be both concrete and far-reaching; concrete in terms of specifically how to direct individual purchasing power towards end consistent with both maintenance of standards of living and defense requirements; far-reaching in that educational material must reach all the various groups in society as quickly as possible.

Consumers must be provided with facts on how to conserve scarce materials, buy and use goods efficiently, stretch their dollars in order to maintain living standards in the face of rising prices, detect and resist unwarranted price increases including those which take the form of quality deterioration; and must be assisted in the development of community action programs to protect living standards.

A successful program of consumer education demands a two-way flow of information: from the specialists handling the problems of consumer protection to the general public, and back from the public whose reactions can guide the Consumer Office in the formulation of policy.

The psychological importance of consumers knowing their economic role in defense and accepting their responsibility in voluntary programs of action, cannot be over-emphasized. It is vital to the nation's morale for consumers to understand the significance of their contribution to

-48C-

- 3 -

total defense as they themselves -- with the help of government -- do such things as make available to their communities over their local radio and through their local press, such directional information as market news.

The Consumer Relations Division reaches consumers directly by supplying factual material through consumer committees of state and local defense councils, consumer committees of national and local civic, professional, business, religious, and nationality groups; by providing consultant services through field representatives; by sponsoring state-wide consumer institutes; and by helping communities establish consumer information centers.

The chief functions of this Division are:

- (a) To give a firsthand explanation of the defense program;
- (b) To promote an understanding of price control, allocation, supply, etc.;
- (c) To aid the concuming public in making adjustments called for by total defense;
- (d) To secure the voluntary and immediate support of consumers in such programs as the simplification of goods, etc.;
- (e) To help consumers help themselves through effective action;
- (f) To analyze consumer needs and reactions;
- (g) To bring back to the Office for Emergency Management a realistic interpretation of problems, conditions, and attitudes of the people whose interests the civilian economic program is designed to serve.

- 4 -

The Consumer Relations Division has a duty beyond that placed upon other agencies or departments of government. Other agencies, as those in the Departments of Agriculture and Public Health, and such offices as those of Education and Defense Health, Welfare, and Services, are charged with the responsibility of seeing that foods are produced, that information of standard diets, nutritious foods, sanitary housing, and essential clothing, is in the hands of all citizens. It is the general responsibility, however, of the Consumer Office, and the special duty of the Consumer Relations Division, to help the consumer translate dollars into nutritious foods on the breakfast, lunch, and dinner table, into housing for his family, into clothing for his wife, his children, and himself.

This Division directs the consumer to available supplies and sees that the housewife can fit into her budget the necessities for living. In helping consumers understand the forces that determine supplies this Division helps the consumer know when to take effective action in securing needed commodities and goods if and when they are being denied necessities through undemocratic and unpatriotic controls.

Activities of this Division are based on a recognition of the fact that consumers generally are ill-prepared to play the part required of them in the present emergency. While rural consumers have received education and guidance from the Department of Agriculture, urban consumers are almost wholly without comparable guidance. They have been reached primarily by commercial producers of consumers' goods whose advertising and sales programs have been designed to encourage the consumption of particular products and to speed up obsolescence.

-500-

- 5 -

Urban consumers during the World War I were given needed assistance through consumer information centers. Again, urban consumers have imperative need for services through such centers, as well as increased services through all other channels.

The work of the Consumer Relations Division is closely integrated with the work of federal, state, and local agencies in the following ways:

- (a) Support for and use of various programs;
- (b) Cooperative development of joint projects;
- (c) Cooperation with other federal agencies in their projects;
- (d) Cooperation in materials;
- (e) Cooperation in quickly disseminating vital information; for example, this Division distributed directly to consumers 1½ million copies of Secretary Morgenthau's speech, "The Fight Against Inflation," in which was inserted a letter from Miss Elliott addressed to consumers. (Appendix IV, exhibit 1.)

In all cooperative relations with other agencies in the development of programs, the Consumer Relations Division approaches these programs from the angle of defense, seeks to facilitate programs which directly relate to consumer protection in defense, and endeavors to initiate consumer defense programs to fill in the gaps between those of other agencies.

#### Functions of the Sections

The four Sections within the Consumer Relations Division carry out the purposes and objectives as previously stated. These are: (1) Program Planning and Materials Section, (2) Problem Analysis Section,

- 6 -

(3) Field Services Section, and (4) Consumer Complaints Section.

(1) Program Planning and Materials Section:

In cooperation with the Field Service, the Problem Analysis, and the Complaints Sections of the Division, this Section plans program materials and techniques of program development for use by consumer groups to fit the needs of organizations and agencies with which field representatives work.

A. Programs are developed (1) by cooperating with other Federal agencies providing consumer services; (2) by developing educational and service programs to be carried out by field representatives of the Division; and (3) by providing consumer programs suggestions and recommendations for consumer committees of state and local defense councils, and consumer defense committees of national and local organizations.

1. Cooperative Programs with Federal Agencies:

(a) Programs in which the Division has taken the initiative.

(1) The Consumer Relations Division requested the cooperation of eight Federal agencies in establishing three demonstration consumer information centers in Detroit, Michigan; Williamsport, Pennsylvania; and Talladega, Alabama. Agencies participating are: Office of Defense Health, and Welfare Services; Office of Education and National Youth Administration of the Federal Security Administration; Extension Service, Surplus Marketing Administration, Bureau of Home Economics,

- 7 -

Consumers' Counsel, and Farm Security Administration of the Department of Agriculture; Works Projects Administration; and the Office of Civilian Defense. (Appendix IV, Exhibit 2. Memorandum initiating these centers, "Consumer Centers, Information Memorandum No. 1, September 25.")

- (2) The Division took the lead in bringing together representatives of eleven Federal agencies to develop a food conservation program: Office of Education, and National Youth Administration of the Federal Security Administration; Surplus Marketing Administration, Consumers Counsel, Extension Service, Bureau of Home Economics, and the Farm Security Administration of the Department of Agriculture; the National Nutrition Advisory Committee of the Defense Health, Welfare and Services; Workers Service Projects of Works Project Administration; and the Office of Civilian Defense. (Appendix IV, exhibit 3. Memorandum launching this program, dated July 1, 1941, from Claude R. Wickard, Secretary of Agriculture; Harriet Elliott, Associate Administrator, Office of Price Administration; and Paul V. McNutt, Coordinator of Health, Welfare, and Related Defense Activities.)

-530-

- 8 -

- (b) Programs directed by joint committees of agencies, in which the Division participates.
- (1) Programs of the National Nutrition Advisory Committee, and programs of its sub-committees, as the "Committee to Promote Defense Gardens."
  - (2) Programs of the National Advisory Committee for Health, Welfare, and Related Defense Activities, and programs of its several subcommittees and its twelve Regional Defense Advisory Councils.
  - (3) Program to promote school lunches, initiated by the Office of Education.
- (c) Cooperative programs with specific federal agencies.
- (1) Bureau of Home Economics. The Division works constantly with this Bureau.
  - (2) Consumers' Counsel Division of the Department of Agriculture. The Consumer Relations Division utilizes issues of Consumers' Guide for the guidance of field representatives and consumer groups. (Appendix IV, exhibit 4. Consumers' Guide, May 15, 1941, "Make Your Own Consumer Exhibits," "Make Your Own Consumer Bulletin Board," "Build Your Own Information Center.")
  - (3) Extension Service of the Department of Agriculture. The Division has welcomed cooperative relations with extension agents. (Appendix IV, exhibit 5. Letter from M. L. Wilson, Director of Extension Service, to extension agents.)

- 9 -

- (4) Bituminous Coal Consumers' Council. The Division joined with this Council in promoting a campaign for summer buying of coal.
- (5) Community Service Programs of the Work Projects Administration. These programs use materials of the Consumer Office to help low income consumers secure buying information, etc. The Workers' Service Project in Chicago held a consumer exhibit and a week-long consumer program. In Detroit, study outlines were developed to accompany materials of the Consumer Relations Division for use by trade unions. The national supervisor of the Workers Service projects has offered to extent labor information centers to include consumer problems, and in some places to use labor information centers as the nucleus for consumer information centers.
- (6) National Youth Administration. Local consumer activities are jointly promoted.
- (7) Office of Education. The Division and this Office are jointly preparing consumer defense materials and are combining efforts to promote adult education through consumer information centers, and defense information centers in colleges.

- 10 -

- (8) Department of Justice and WPA Citizenship Program. Plans are in progress for close cooperation with this project in providing materials for action programs to protect the standards of living.
  - (9) Farm Security Administration. A Regional Farm Security Director has requested help in developing methods of providing buying guidance for farm security families.
  - (10) Office of Indian Affairs. The Indian service has requested cooperation in the preparation of consumer materials and in the training of their field staff in consumer education for Indians.
  - (11) Various agencies have requested for their programs certain materials prepared by the Division. The Office of Education, Extension Service, Farm Security Administration, and Farm Credit are using the case study of "The Negro Family Works in Behalf of its Citizens," and have requested the use of future studies in this series of bulletins which use this approach to consumer problems.
2. Program of Education and Services to be Carried Out by Field Representatives.
- (a) The main outline of programs promoted by field representatives is indicated in the Handbook for

-56C-

- 11 -

Consumer Representatives. On the basis of reports from the field representatives, the Program Planning Section continually develops and adapts the general consumer relations program to meet consumer needs.

- (b) Special consumer programs are promoted when special needs arise. The field representatives are kept informed of the defense program as it develops in Washington, by a weekly staff Bulletin. (Appendix IV, exhibit 6. Staff Bulletins.)

3. Program Recommendations to State and Local Defense Councils and Lay Groups.

The Program Planning Section receives requests for consumer programs either directly or through field representatives, and prepares special program suggestions. (Appendix IV, exhibit 7. "A Handbook for Consumer Representatives of State and Local Defense Councils or Local Consumer Interest Committees of the Consumer Office; "Organization and Guidance of Consumer Committees of Local Councils of Defense" of the Pennsylvania Council of Defense; letter from Miss Elliott, dated September 26, suggesting consumer programs for the Michigan Council of Defense addressed to Dr. Harold Furlong, Chairman; letter from Miss Elliott suggesting consumer programs for the New Jersey Council of Defense,

- 12 -

addressed to Governor Charles Edison; memorandum from Miss Ware, dated September 20, suggesting programs for Townsend Clubs, addressed to Mr. Ivan Tarnowsky. List of organizations which have requested program aid.)

B. Educational materials either prepared or secured by this Section, include mimeographed and printed bulletins, study materials, exhibits, and other program materials to assist individual consumers and consumer groups in dealing with the problems of consumer protection in defense.

1. Program materials which have been prepared:

(a) Reference Bulletins

- (1) Directory of Governmental Consumers Services and Agencies. (Appendix IV, exhibit 8.)
- (2) Consumer Knowledge Builds Defense. (Appendix IV, exhibit 9.)

(b) Suggested Activities.

- (1) Local Market News Broadcasts for Consumer. (Appendix IV, exhibit 10.)
- (2) Strengthening the Machinery for Consumer Protection. (Appendix IV, exhibit 11.)
- (3) Check Your Weights and Measures. (Appendix IV, exhibit 12.)

(c) Manuals for consumer committees of local defense councils or other consumer groups.

- (1) Handbook for Consumer Representatives of State and Local Defense Councils. (Appendix IV, exhibit 13.)
- (2) Organization and Guidance of Consumer Committees of Local Councils of Defense. (Appendix IV, exhibit 14.)

- 13 -

(3) Consumer Information Centers.  
(Appendix IV, exhibit 15.)

In connection with a two-day institute held by the Pennsylvania Council of Defense, a demonstration consumer information center was set up.

- (d) Descriptions in simple terms of consumer problems of typical families, with indications of community resources to meet these problems and ways of using these resources--"A Negro Community Works in Behalf of Its Families." (Appendix IV, exhibit 16.)

2. Plans for program materials include:

- (a) Exhibit materials for use of field representatives, and exhibit suggestions for consumer groups.
- (b) Additional activity bulletins and manuals.
- (c) Additional family stories.
- (d) Additional guides to the use of community resources for consumer protection.

(2) Program Analysis Section:

The work of this Section is to analyze consumer problems as they arise from the impact of the defense program, to determine what action should be taken, and to discover how the defense program can best be interpreted to the public and best related to the problems that are indicated by consumer experience to be most urgent or important. Regional, community, or group action will be recommended when special consumer problems arise among certain groups, or in certain communities.

Current analysis of consumer experience focuses attention of the Section on problems imposed on consumers by defense activities as revealed in reports from the field staff, in correspondence and complaints

-14-

received by the Division, in information received by other governmental agencies, and through special investigation study and analysis of consumer reactions focuses attention of the Section on consumer reactions to measures undertaken by OPA and other defense agencies. For this purpose the Section analyzes printed materials, complaints and correspondence, field staff reports, and recommends that the Consumer Office or other agencies make special studies of consumer reactions to particular measures or situations, or in particular localities.

Study of special consumer problems may be requested by this Section, for instance:

- (a) A spot survey of cost of living increases in mining camps was made after complaints of abnormal price increases had been received from the United Mine Workers of America and from individual miners. (Appendix IV, exhibits 17 and 18. Summary of spot survey, and Miss Elliott's recommendations to Mr. Henderson.)
- (b) A reconnaissance study of the furniture problems of migrant defense workers was made to see whether the problem was a serious one requiring attention and action. (Appendix IV, exhibit 19. Report)

A weekly report on consumer experience and reactions based on analyses and studies will be prepared by this Section, to keep

-600-

-15-

the Consumer Office and other cooperating agencies informed of the effect of the defense program on consumers and of their reactions to it.

(3) Field Service Section:

This Section services the approximately forty field representatives of the Consumer Relations Section of the Consumer Office.

Representatives are located in twelve regions which correspond to those of the Social Security Board. Some of these representatives are particularly familiar with the consumer problems of labor, negroes, low income rural and nationality-background groups, and are available to advise and assist these groups.

Field representatives assist consumer members of state and local defense councils and organizations with consumer interest programs.

Representatives visit localities upon request and advise with any interested group or organization on problems relative to the supply, price and quality of consumer goods, the use of substitutes, wise buying, and on community programs to stabilize living costs and protect living standards. They give their services to any community, not simply "defense areas", for the defense impact upon community life is affecting consumers everywhere. Some of the organizations that have requested services are listed in Appendix IV, exhibit 20.

Duties of field representatives include:

- A. Guiding organizations in the use of consumer educational materials and consumer protection resources available to them in such a way as to stabilize prices, protect living standards, eliminate waste, and conserve resources.

-61C-

-16-

- B. Gathering on-the-spot reactions to local consumer problems.
- C. Insuring that informational and educational materials and programs of guidance and aid are adapted to the needs of particular consumer groups and that they reach those groups.
  - 1. College groups. For list of colleges already visited and the plan of campus programs, see Appendix IV, exhibit 21.
  - 2. Italian background groups. A manual on nutrition has been prepared jointly by this Division and the National Research Council. For special service to this group, see Appendix IV, exhibit 22.
- D. Assisting in coordinating the consumer activities of state and local defense councils with the national consumer defense program. Each locality should have an official consumer interest committee of the defense council to carry out the day-to-day continuing program of consumer production and consumer adjustment. This committee must have official status in order that it may have local recognition and support, that no competing committee may claim to be the local consumer defense committee, and in order that WPA and other services limited to official agencies may be assigned to it. Such committees now exist in a number of states and localities. The Handbook for Consumer Representatives of these committees was issued jointly by the

-62C-

-17-

Consumer Office and the Office of Civilian Defense. In the absence of a defense council, field representatives of the Consumer Relations Division provide consultant services to local groups forming a community consumer Committee.

- E. Advising with local committees and councils set up by official bodies for specific purposes, such as the Chicago Aldermanic Price Investigating Committee.
- F. Assisting Regional Advisory Councils on Health, Welfare, and Related Activities in regional programs designed to stabilize prices, protect living standards, and conserve resources.
- G. Assisting communities in establishing and developing consumer information centers.

Field representatives have visited to date only about one-third of the geographical area of the country and only twenty have been in the field for six weeks. Their achievements, however, are reassuring. They have given service to national farm organizations such as the Farmers Union, to labor organizations such as the United Automobile Workers, to Jewish organizations such as Hadessa, to negro organizations such as the Urban League, etc. They have been instrumental in planning and holding regional, state-wide, county and community consumer institutes.

The Princeton Conference exemplifies regional meetings. Field representatives of this division cooperating with members of the Labor Department of the Office of Production Management, conducted a labor-consumer defense conference, sponsored by, and held at Princeton University. Approximately 250 labor leaders from New Jersey attended to discuss ways

-63C-

- 18 -

of cooperating with the defense program and with the Consumer Office. A number of similar conferences are being planned under the sponsorship of other universities.

The state-wide nutrition-consumer conference sponsored by the Pennsylvania State Defense Council and the Consumer Office, on September 26 and 27, culminated six weeks of activity of field representatives in that region. Members of the 502 local defense councils gathered at Harrisburg to make plans for consumer representation on each local defense council, for local consumer action programs, and for a state-wide training program to develop leaders in the field of consumer interests. Discussions were held on consumer problems such as inflation, buying during the defense period (food, clothing, housing), and establishment of consumer centers. National and state leaders in the field of economics, home economics, agriculture, public welfare, nutrition, health, housing, education and semi-public and private organizations spoke and participated in round tables. Harriet Elliott, chief of the Consumer Division spoke at the evening meeting. (See appendix IV, exhibit 23. Program.)

Local consumer conferences have been conducted jointly by field representatives of the Consumer Relations Division and public schools, the YWCA, etc. These have hastened the mobilization of community facilities for the use of the consuming public.

(4) Consumer Complaints Section

This Section answers consumer letters that raise questions about prices and quantities of consumer goods, shortages, substitutions, consumer

-64C-

- 19 -

budgets; that make requests for general advice about consumer protection, and for programs for consumer groups.

A weekly analysis of complaint communications is prepared by this section, and serves as a guide to consumer reactions for the Consumer Price, and Information Divisions of the Office of Price Administration, the Retailers' Advisory Committee, and the Cost of Living Division of the Bureau of Labor Statistics. (Appendix IV, exhibit 24. Analysis for week ending September 27, 1941.)

The work of this Section is coordinated with that of other sections in the Consumer Office and with that of other agencies. At joint conferences, agreements are reached on the division of responsibility among agencies. For instance, the marked increase in the past few weeks in the number of complaints about milk prices will result in a conference between representatives of the Correspondence Section and the Economic Division of the Consumer Office and representatives of the Consumers' Counsel Division of the Department of Agriculture to decide how these complaints may best be answered and what effective action should be recommended.

Relations of this Division with Public and Private Organizations:

Throughout this statement of the purposes and functions of the Consumer Relations Division and its four Sections, close working relations with semi-public and private organizations have been revealed. Organizations in thirty-four states have asked for assistance in planning their programs, and for speakers for their regional, state, and large local meetings.

(See Exhibit IV, 24a.)

- 20 -

The Consumer Division of the National Defense Advisory Commission, when first established in the emergency defense set-up, placed its facilities at the service of national organizations at the national conference called by the Division in August, 1940. More than 75 organizations attended. (For list of organizations and conference report on consumer-buyer problems, see Appendix IV, exhibit 25.)

Calls upon the facilities of the Consumer Relations Division by consumer committees and groups are increasing as the impact of the defense program on community life grows more acute. The personnel and facilities of this Division should be expanded to give needed assistance to consumers through these critical times. Consumer groups requesting aid express eagerness to contribute to all-out defense and seem willing to make whatever sacrifices are necessary, but they are determined that adjustments be made intelligently with regard to human values. Demands upon this Division indicate that consumers increasingly expect guidance from their government in making their contribution to economic welfare.

-66C-

#### D. Consumer Interest Groups

NOTE: There is not a well-organized and intelligently directed national consumer interest movement in the United States. In fact, there is not a single organization which is effective from the national point of view. If one is contemplating consumer support for any reason, one must work through many more or less effective groups. I have outlined below the groups in the United States which consider consumer problems in their program and others which have specialized consumer interests. These groups have no integrated policies and no effective national leadership. As I have indicated in my general statement, there is no governmental agency which might assist in directing and coordinating these varied groups.

\* \* \* \* \*

The force behind the "consumer movement" comes from its diffusion through many non-specialized organizations rather than from the concentrated power of groups specifically organized to promote or protect consumer interests. Everyone is a consumer and has more or less interest in consumer problems according to his particular circumstances and the general economic conditions of the times. These problems include the interests of the consumer: (1) as a user of goods, concerned with conservation and economic utilization of the supplies of food and other things available for the individual or the family consumption; (2) as a manager of individual or family finances, concerned with the planning of savings and expenditures; (3) as a buyer, concerned with the prices and qualities of the things that have to be bought with money incomes; and (4) as a citizen of the economic community, concerned with the direction of the nation's resources to the production of the things that are most essential in maintaining the standard of living of the people at the highest level consistent with the war and relief efforts that must be made. During the past three years, the interests of people as consumers have naturally become more and more important to them. Increasing attention is being given to the types of problems referred to above. They are not always consciously thought of as "consumer" problems, but that concept affords a basis for the integration of these interests.

The more important groups that have consciously developed consumer programs of one type or another are indicated below. I have given a general evaluation of each.

##### 1. Women's Groups, Religious and Welfare Organizations

American Association of University Women - Organized 1882. Membership about 62,000 in 880 branches. An important group in the consumer movement. Very good. Work intelligently.

- American Home Economics Association - Organized 1908. Membership over 15,000. Interested in all problems affecting family living. Often acts in an advisory capacity for private and government groups. Very good.
- Federal Council of Churches of Christ in America - Organized 1909. Includes 24 religious denominations with approximately twenty million members. Specially interested in the consumer cooperative movement. Fair. Would not be very active in a national effort.
- General Federation of Women's Clubs - Organized 1890. Includes 15,000 clubs with total membership of over two million. An important group in consumer movement. Not consistently good. Present administration not interested.
- Girls' Friendly Society - Organized 1875. Membership about 26,000 in 900 branches. Sponsored by Episcopal church. No specific consumer interests but publishes articles on consumer problems and appeared for consumers at food and drug hearings. Not important to a national effort.
- National Board of the Young Women's Christian Association of the United States - Organized 1906. Membership 120 representing about 1,000 local associations. Has given specific recognition to the encouragement of consumer cooperatives and to other organized consumer efforts. Fair.
- National Congress of Parents and Teachers - Organized 1897. Membership nearly two and one-third millions. Has active consumer interests. Very good group to help in an educational program.
- National Council of Catholic Women - Organized 1920. Interested in the development of consumer programs. Has a legislative program. Not very active.
- National Council of Jewish Women - Organized 1893. Membership about 40,000 in United States and Canada. Has a study program on consumer problems. Also has legislative interests in food and drugs, housing. Not very active.
- National Council of Women of the United States, Inc. - Organized 1880. Includes women's organizations having a combined membership estimated at seven million. Has held consumer programs and prepared consumer material. Not as important as other women's groups in the consumer movement.
- National Council of the Young Women's Christian Associations of the United States - Organized 1924. Membership 325 representatives elected by organizations totalling over one million members. Has some study groups interested in consumer education and consumer cooperatives. Would not be very helpful in a real program.

National Federation of Business and Professional Women's Clubs - Organized 1919. Membership about 71,000 in 1,600 clubs. Includes consumer problems in its program. Never sure where they would stand.

National Federation of Settlements - Organized 1911. Membership of 156 agencies. Has a Committee on Consumer Education and definite consumer interests. Good group to work with.

National League of Women Voters - Organized 1920. Membership about 50,000 in state and local leagues. An influential group in the legislative field, with broad consumer interests.

New York City Federation of Women's Clubs. Very active in promoting labeling of textiles and in other consumer problems. Not a member of the General Federation of Women's Clubs. Fair.

Women's Joint Congressional Committee - Organized 1920. A legislative clearing house for women's organizations totaling about five million members. Clearing house in Washington.

## 2. Groups Primarily Interested in Farm or Labor Welfare

American Federation of Labor - Organized 1881. Has endorsed the consumer cooperative movement. Increasingly interested.

Associated Women of the American Farm Bureau Federation. Has indicated interest in consumer protection. Not important.

Congress of Industrial Organizations - Organized 1935. Has indicated interest in consumer protection and endorsed the consumer cooperative movement. Now has a consumer representative in Washington. Very good group. Increasingly interested.

International Ladies' Garment Workers' Union - Organized 1900. Has consumer education study groups and prepares consumer material. Good.

Labor's Non-Partisan League of Illinois. Cooperates with other groups interested in improving labor's position. Similar labor groups have been active with the consumer movement in other centers, such as Boston and New York. Not very important.

League of Women Shoppers. National organization formed in 1938. First local league about 1935. Interested in helping organized labor when it feels claims are justified. Good. A little extreme.

National Consumers League - Organized 1899. Membership of about 15,000 individuals in state leagues and local committees. Main interest is in improving labor legislation, but sometimes includes consumer interests. An important legislative group. Too specialized to be helpful.

National Garment Label Council - Established 1935-6. Membership includes 1,600 members of the coat and suit and millinery industries. Sponsors Consumers' Protection Label guaranteeing sanitary conditions and fair working conditions to the consumer. Very specialized interest.

National Women's Trade Union League - Organized 1903. Membership of over one million. Interested in consumer problems and consumer protection. Includes in its platform the objective of a standard of living commensurate with the nation's productive capacity. Very good.

Union Label Trades Department - Organized 1909. Promotes the use of a union label and educates consumers to buy merchandise made under union standards. Specialized interest.

3. Groups Organized Specifically to Promote Consumer Welfare  
(These are all specialized.)

Consumer Conference of Greater Cincinnati - Organized 1934. Membership of about forty civic, welfare, religious, labor, business, and other groups. Specially interested in promoting better merchandising practices. Survivor of National Recovery Administration.

Consumer-Farmer Milk Cooperative - Organized 1937. Over 7000 members. Works closely with Milk Consumers Protective Committee of New York.

Greater Boston Consumers' Committees on Milk - Organized 1939. Membership of delegates from organizations interested in milk supply of Boston consumers.

Miami Consumer League - Organized 1939. Developed out of an interest in consumer problems taught in an adult education class. Objective to develop more intelligent consumer-buyers through a careful study of consumer goods.

Milk Consumers' Protective Committee - Organized 1936. Membership of delegates from nearly 100 organizations. Interested in all questions related to the milk supply of consumers in New York City. Specialized interest.

St. Louis Consumers' Federation - Organized 1940 to coordinate work of Consumer Groups in St. Louis. Best local group in United States.

United Conference Against the High Cost of Living - Organized 1935. Coordinates consumer work of organized groups in Chicago. Not very important.

4. National Consumer Cooperative Organizations  
(Specialized groups.)

- Bureau of Cooperative Medicine - Organized as a division of the Cooperative League. A research and education organization for studying various methods of collective purchase of medical care on a pre-payment plan.
- Consumer Distribution Corporation - Organized 1935. Helps existing cooperatives with provision of capital and management. Financed by the Good Will Fund, a foundation set up by E. A. Filene, Boston merchant.
- Cooperative Distributors, Inc. - Organized 1932. Membership more than 3600 individuals and 225 clubs. Sells goods chiefly by mail-order. Maintains a testing laboratory, and has a labor committee which is supposed to make sure that concerns selling to CD maintain union standards.
- Cooperative League of the United States of America, Inc. - Organized 1916. Total membership includes nearly a million members in affiliated cooperative associations.
- Credit Union National Association - Organized 1935. Membership about 8,500 credit unions with over 2,500,000 members.
- National Cooperative Women's Guild. In 1932 National Guild Committee elected. In 1940 decided to organize Women's Guild on a permanent basis. Total number of guilds, 122 from 14 states, membership approximately 3,000.
- National Cooperatives, Inc. - Organized 1932-33. A federation of regional cooperative wholesalers.
- Rochdale Institute - Organized 1937, under sponsorship of the Cooperative League, to train and educate men and women for service in the cooperative organization of consumers.
- Ohio Farm Bureau Federation - One of the best consumer cooperative organizations. (Murray Lincoln group.)

5. Educational Organizations and Services  
(All good to help in an educational promotion.)

- American Association for Adult Education, Inc. - Organized 1926. Membership about 1,500. Gathers consumer education material, and assists in organizing consumer groups.
- American Association for Economic Education. Particularly interested in promoting education in money management and personal economics.

- Consumer Education Association - Organized 1938. Membership of around 500. Coordinates the work of consumer educators in different fields.
- Consumer Education Service, American Home Economics Association - Established 1936. Subscription nearly 800. Digests news of consumer interest over a wide field.
- Council of Business Education - membership about 15,000. Interested in developing business education from the consumer point of view.
- National Education Association of the United States - Organized 1857. Membership about 775,000 teachers. Interested in the development of consumer education.
- Progressive Education Association - Organized 1919. Membership about 10,000. Holds consumer sections at annual meetings.
- Service Bureau for Adult Education. Issues materials occasionally on consumer education.

#### 6. Consumer Testing and Rating Agencies

- Consumers' Research, Inc. - Incorporated 1929. Membership about 60,000. Tests and rates consumer goods by brand names.
- Consumers' Union - Organized 1936 - Membership about 80,000. Tests and rates consumer goods by brand name.
- Intermountain Consumers' Service, Inc. - Organized 1932. Membership probably about 3,000. Tests and rates consumer goods.

#### 7. Institutional and Commercial Buying Organizations

(These groups should be drawn in to help in a national movement. Very good.)

- Hospital Bureau of Standards and Supplies, Inc. - Established 1910. Membership of over 200 hospitals and similar institutional members for whom it buys by specification and analyzes brands.
- National Association of Purchasing Agents - Organized 1915. About 5,700 members. Devoted entirely to the development of information and services for its members. Members can in no way be connected with selling.

### 8. Consumer-Business Groups

Advisory Committee on Ultimate Consumer Goods, American Standards Association - Organized 1936. Consumer representatives from the American Home Economics Association, the American Association of University Women, the General Federation of Women's Clubs, the National Congress of Parents and Teachers, the National League of Women Voters, and Consumers Union. Provides a forum where business and consumer representatives may cooperate in the development of standards for consumer goods.

American Society for Testing Materials - Established 1902. Over 4,000 members. A standardizing body. Does not undertake certification of consumer goods. Cooperates with other groups in developing standards.

National Consumer Retailer Council - Organized 1937. Membership organizations representing business and consumer groups. A forum for the discussion of mutual problems of consumers and retailers.

NOTE: Food for Freedom group may become real leaders. It has started off with a strong consumer interest.

NOTE: The Labor Unions are developing effective consumer groups. In the last year, they have been very active. These groups offer the largest number of interested consumers.

January 4, 1944

-73D-

Harriet Elliott



## TREASURY DEPARTMENT

WAR SAVINGS STAFF

OFFICE OF STATE ADMINISTRATOR

January 4, 1944

*Mr Smith  
said he  
cleared with  
Gamble.*

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

Dear Henry:

Ted Gamble just phoned me and told me that you have definitely decided to accept Cincinnati's invitation and will be there Wednesday, January 19th. This information gave me a great deal of pleasure.

Inasmuch as you are going to be the guest of Ohio and Cincinnati, it is my desire to make your stay as pleasant for you as possible. I will work through Ted Gamble on details of the program. While you are in Cincinnati please know that if it will make you more comfortable and give you some desired privacy, my home is yours for your stay.

Please let me know what you wish to do and how you wish to do it.

Sincerely yours,

*Phil*

Phil J. Trounstine  
State Chairman  
War Finance Committee for Ohio

PJT/eh



JAN 4 1944

MEMORANDUM

January 4, 1944.

Dear Doctor Bowman:

I am in receipt of your letter of December 28th marked "Personal and Confidential."

Quite frankly I was shocked at the contents of your letter. Please permit me to inform you on the record—because I have no business in the Treasury that is not official and on the record—that I do not know what you are talking about when you refer to "the attitude of the Sunpapers or of Governor O'Connor's position on centralized Federal power."

Nobody in the Procurement Division has any interest in or knowledge of the political situation to which you refer. This is the first time, to my knowledge, that anybody has accused the Procurement Division of doing business on a political basis. If there is any evidence to support such a suspicion I should like to have it. I should be glad to have you come to the Treasury at your convenience and discuss this matter with Mr. Sullivan, Assistant Secretary, and Mr. Mack, Director of Procurement. We shall be happy to give you any information we possess and to furnish any details you desire.

Meanwhile, for your information, I am enclosing a memorandum to me from Director Mack setting forth the facts on the N. Y. A. facilities in Maryland.

Dr. Isaiah Bowman,  
President,  
Johns Hopkins University,  
Baltimore 18, Maryland.

Sincerely yours,

(Signed) H. Morgenthau, Jr.  
Secretary of the Treasury.

JLS:kb

MEMORANDUM

January 4, 1944.

TO: The Secretary  
FROM: Mr. Clifton E. Mack

In response to your telephone regarding the complaint of Dr. Isaiah Bowman, President of Johns Hopkins University, I am submitting the following report:

The National Youth Administration reported to the Procurement Division five facilities in Maryland. Only two of these facilities qualified under the language of the Second Deficiency Act, 1943, approved July 11, 1943, as having been "in use" as of June 30, 1943. Loans of these two facilities to Maryland vocational education authorities have been approved by the Procurement Division. At College Park, Maryland, a sheet metal shop, machine shop, arc welding unit and forging unit housed in a prefabricated steel building were loaned to the University of Maryland. At Cumberland, Maryland, a machine shop housed in a prefabricated steel building was loaned to the Allegheny County Board of Education.

The law required that any property not "in use" for vocational training on June 30, 1943, should be made available to Federal agencies, and that any excess over Federal needs could then be loaned to vocational educational authorities for training purposes. There are several applications for such loans, including one from Johns Hopkins University, but these requests cannot be filled because there was no available property in that category in excess of Federal requirements. These applications have been

TMS

- 2 -

held so that if the type of property requested becomes available it will be applied to these applications.

The shop unit at Manassas, Virginia, referred to in Doctor Bowman's letter was "in use" on June 30, 1943. Hence, the State of Virginia has priority and is negotiating with us for the loan of that unit.

JIS:kb

THE JOHNS HOPKINS UNIVERSITY  
BALTIMORE, MARYLAND

4. 2 - 12/30  
L - 1

December 28, 1943

OFFICE OF THE PRESIDENT

PERSONAL AND CONFIDENTIAL

Dear Mr. Secretary:

This personal and confidential letter is sent to you because of a disturbing set of rumors regarding the practices of the Procurement Division of the Treasury Department with respect to so-called "shop units" that are being distributed to some colleges in the Army Specialized Training Program. Our own experience seems to support the rumors and I think you ought to know about them.

It is being said that no Maryland requests are being granted, and guesses are made as to whether this is in the nature of political punishment for the attitude of the Sunpapers or of Governor O'Connor's position on centralized Federal power. The statement is commonly made that "Maryland gets the run-around" when it comes to the distribution of shop units formerly owned by NYA. It is being said that there is plenty of NYA material still available; that New Hampshire and Vermont get all they want (I am told that there is a shop unit at Manassas, Virginia that is not in use, to take one example from another state); that officials are not functioning in this matter because they know that favoritism is being shown.

I do not know the source of these rumors, nor have I attempted to ascertain their strength. I do know that I have personally taken up this matter when other officials of the University were unable to secure results and that the reactions which I have received put me in no position to deny the rumors.

I want to ask most urgently that you attempt to cut through the wall of resistance in the Procurement Division and secure action. I am interested in action at this place where we have important units of the ASTP. Can you direct the Procurement Division to allot us the equipment that we have requested? Whatever the reason, Mr. Fox of the Procurement Division is not functioning in this matter though he has been very pleasant about it. Word from you will bring results, I am sure.

If there are aspects of the matter which you care to discuss personally, may I ask if you would be so good as to call me at my office in the Department of State on Thursday morning, December 30, some time before eleven o'clock. My extension at the Department is 2665.

Sincerely yours,

*Isaiah Bowman*

Isaiah Bowman

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

To: Fred Smith  
From: The Secretary  
Date: January 4, 1944

I wish you would go into the matter of this selling of surplus property on the part of Procurement for the armed forces. I believe that we should announce to the newspapers and radios well in advance of any sale, and that we also should think of some way of keeping Congress informed of what we are doing.

Please look into the matter, talk with Mr. John L. Sullivan of New Hampshire, and then see me.

*See Group 1/5/44-*



TREASURY DEPARTMENT  
WASHINGTON

OFFICE OF  
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO  
COMMISSIONER OF INTERNAL REVENUE  
AND REFER TO

JAN 4 1944

Memorandum for the Secretary:

This is with further reference to the communication dated December 20, 1943, from Senator George relative to the liquor situation in the State of Georgia, and your reply thereto dated December 23.

Following the conference in your office on that date, at which time you expressed a personal interest in this matter, the District Supervisor, Alcohol Tax Unit, Atlanta, Georgia, was instructed to utilize all available investigative personnel in investigating wholesale liquor dealers in that State who were engaged in black market operations.

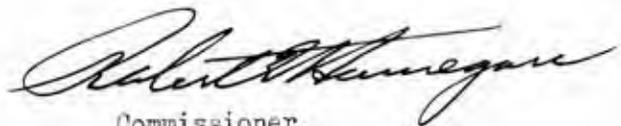
During the past week, the investigation of 23 wholesale liquor dealers in the State of Georgia developed 10 cases to the point where prosecution and permit suspension proceedings are indicated. Evidence was also developed revealing large shipments into the State of Georgia in the black market on the part of Gordon-O'Neil, Incorporated, Jersey City, New Jersey, and Hercules Distillers, Brooklyn, New York (rectifiers), and the F. A. Mayer Company, Newark, New Jersey (wholesale liquor dealers). The evidence is deemed sufficient to warrant suspension proceedings against the permits of these concerns, and probably will enable their prosecution on conspiracy charges.



- 2 -

Approximately 635 cases of Baltimore Club whiskey, comprising a blend of 20 per cent straight bourbon whiskey and 80 per cent neutral fruit spirits, were seized in the State of Georgia as being mislabeled. This is believed to be one of the brands referred to by Senator George as being of poor quality.

A great deal of investigative work remains to be done in Georgia. When an impressive volume of cases are perfected and positive grand jury and administrative action had, a further memorandum will be submitted.



Robert H. Hargrave

Commissioner.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE Jan. 4, 1944

TO Secretary Morgenthau  
FROM Mr. Hester  
Subject: The egg situation.

This memorandum is submitted in response to your request by telephone to Miss Michener on January 1 for information on current developments in the food field. Work is being done on the additional information requested, which will be submitted in a later memorandum.

Background

Egg prices have broken sharply in several eastern and mid-western markets during recent weeks, with the seasonal increase in egg production. During December, prices of large top quality eggs were off 5 to 12 cents in eastern markets and 7 to 8 cents in the Chicago market. On the West Coast, however, prices were reduced only 3 cents. The decline in prices of cold storage eggs was much more severe, storage eggs in New York dropping 13 to 19 cents.

Egg prices normally reach their peak in November and then decline for the next four months as production increases seasonally. The current OPA regulations provide for a decrease in ceiling prices on eggs from November to early March of approximately 15 cents for top quality eggs, of which a reduction of 8 cents is to be imposed over the next 9 weeks. Prices in some markets, however, have now fallen below ceiling levels.

An attached chart prepared recently by the Department of Agriculture (see Chart 1) compares the trend of egg prices during this war with that in the First World War. It will be noted (1) that the general trend during the two wars has been very similar, and (2) that at this time of year a sharp drop in egg prices is normally to be expected. (Incidentally, the effect of commercial production methods and cold storage operations in reducing seasonal price swings is clearly apparent.)

The current situation

Currently, the pressure on prices from the seasonal increase in production has apparently been greater than in a normal year, owing to a combination of unusual factors:

(1) Production and shipments of eggs have increased in recent weeks at an unusually rapid rate. In addition to the greater number of laying hens this season (6 percent more than last year on December 1), there has recently been an unusual period of bright weather over large sections of the East and Middle West, which has caused hens to start laying earlier and increased the yield per hen. (These weather conditions may be temporary.)

In consequence, supplies of eggs have become excessively heavy in some markets, particularly New York, where docks and terminals last week were reported to be glutted and some cars could not be unloaded for lack of bin space. In the four weeks ended December 24, egg receipts in the four leading markets (New York, Chicago, Philadelphia, and Boston) were more than 25 percent larger than during the corresponding period of last year, and prices have dropped below those of last year. (See Table 1.)

(2) A shortage of storage space has tended to force eggs onto the fresh markets. Total freezer space in public cold storage warehouses on December 1 was 89 percent occupied, as compared with only 76 percent on the same date a year ago. Stocks of shell and frozen eggs in storage, while approaching their seasonal low point, are considerably above those of last year. On December 1, cold storage holdings of shell and frozen eggs were 51 percent and 37 percent, respectively, above those on the same date of the previous year. (See Chart 2, lower section.)

The tightness in storage space has tended not only to discourage storing eggs but also has prompted the WFA to seek means of moving eggs out of storage. With heavy marketings at peak levels, the WFA desires to clear some freezer space in order to store pork for use in the spring when pork supplies are expected to be substantially lower.

(3) With the prospect of a further seasonal price decline between now and spring, dealers are naturally reluctant to buy eggs on the present market for storage operations.

- 3 -

(4) Weakness in the demand for eggs from commercial hatchery operators has been a contributory factor. Weakness in demand for baby chicks for immediate delivery developed in mid-October. Hatchery production in November declined 7 percent below year-earlier levels, this marking the first decline in 3 years. The tight feed situation may be expected to exercise a retarding effect on the demand for chicks in coming months, thus reducing the demand for eggs for hatchery purposes.

(5) A cutback last summer in the Government's dried egg production program has been a factor in reducing the demand for eggs. (See Chart 2, upper left.)

#### Corrective action

Steps are being taken by the War Food Administration to stabilize market conditions by removing surplus eggs from the market. The Food Distribution Administration announced December 23 that it would accept offers of dried whole eggs immediately for February delivery. This is a temporary program intended to operate until a complete purchase program for 1944 can be formulated, and is expected to help absorb surplus egg supplies now on the market. The New York office of the FDA has also announced that, beginning January 3, it will receive offers for Consumer grade A or B large and medium eggs. The eggs purchased will be made available to charitable institutions and for the school lunch program.

# EGGS: PRICE RECEIVED BY FARMERS. UNITED STATES, 1913-22 AND 1938-43

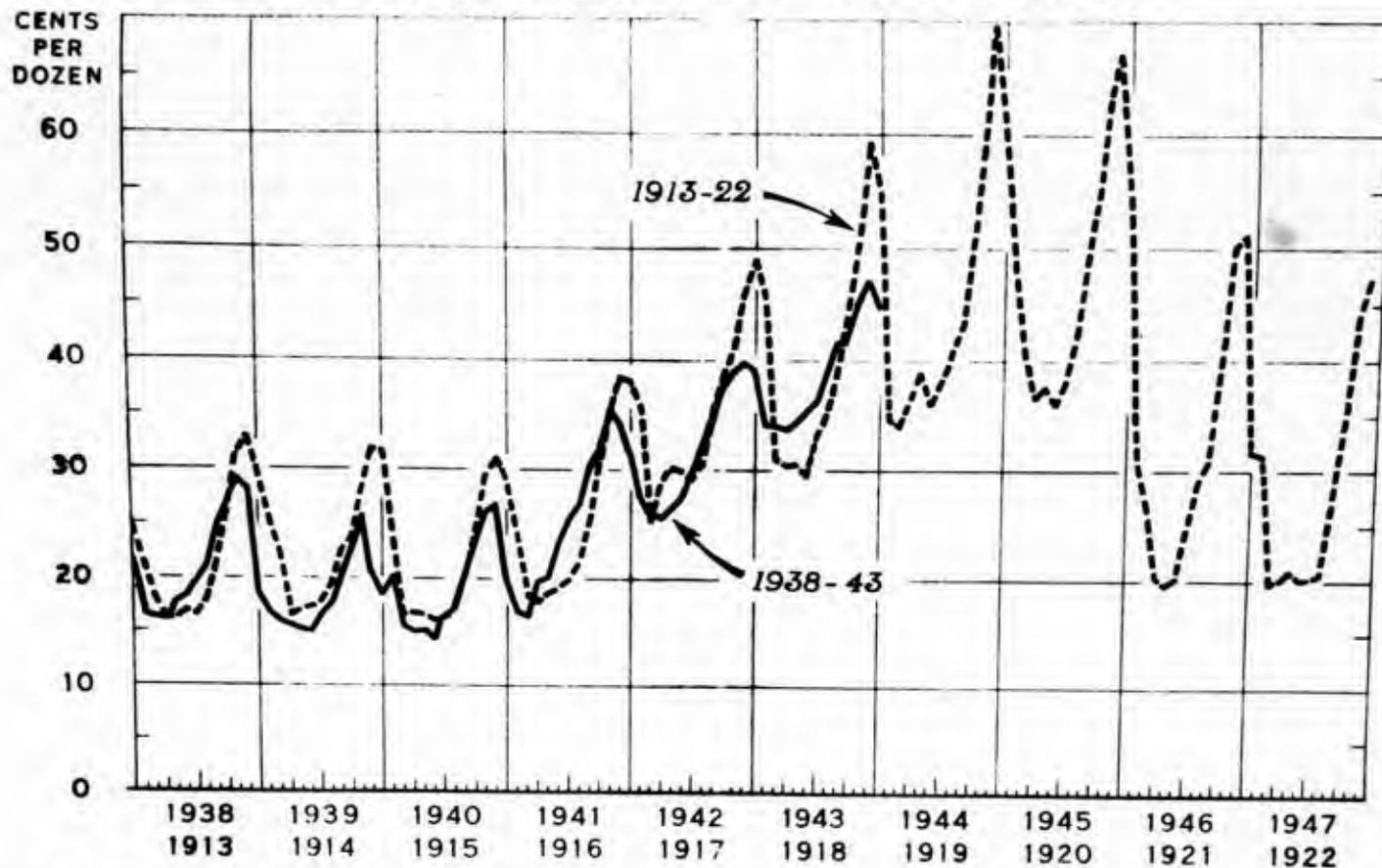


Table 1

## Egg receipts and prices

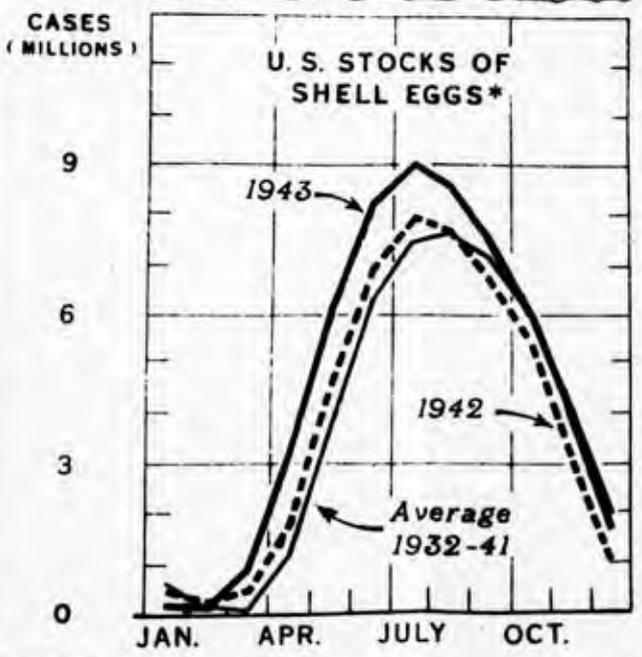
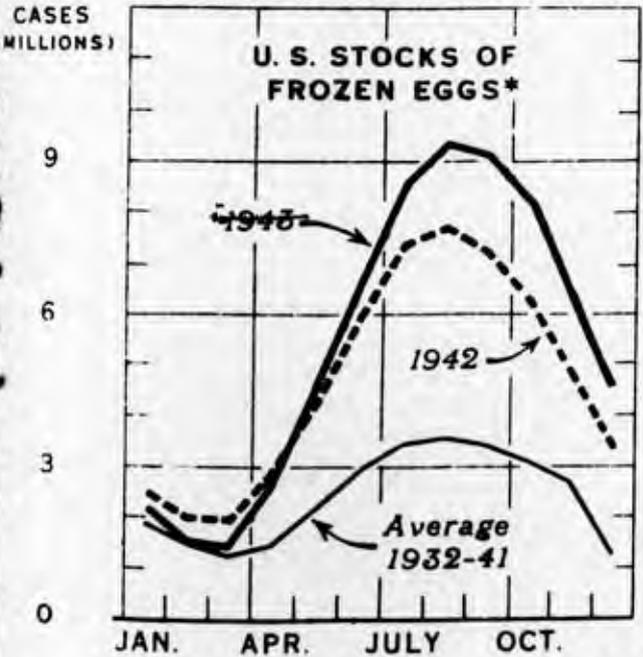
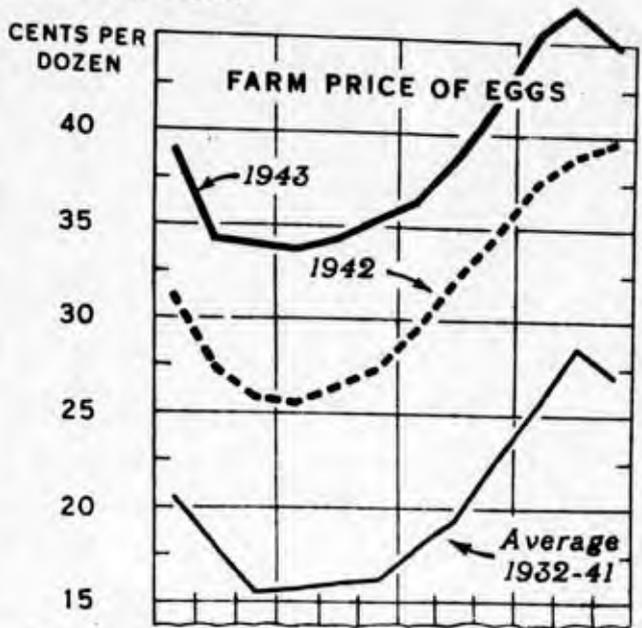
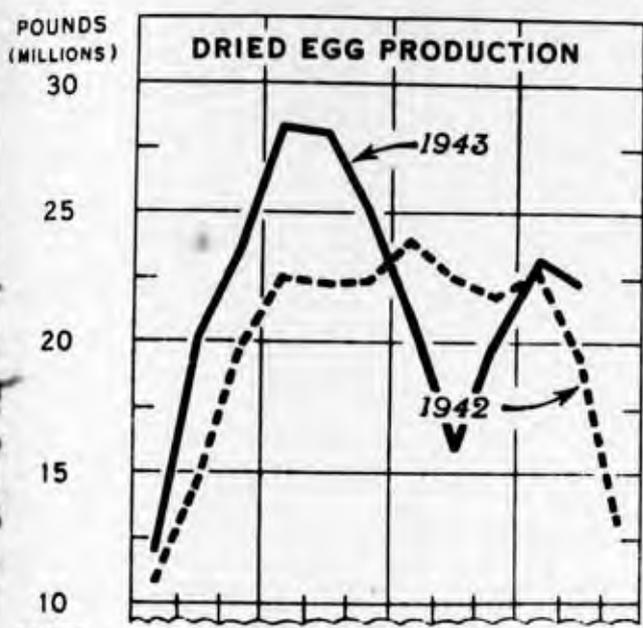
Week ended <u>2/</u>	Receipts at four markets <u>1/</u> (in thousands of cases)		Date <u>3/</u>	Prices, fresh Eggs, Chicago (Cents per dozen)	
	1942-43	1943-44		1942-43	1943-44
Nov. 7	153	143	Nov. 9	39.0	43.4
14	140	153	16	39.0	42.4
21	153	160	23	39.0	42.4
28	147	149	30	39.0	42.4
Dec. 5	170	210	Dec. 7	39.0	41.9
12	193	218	14	39.0	41.9
19	189	221	21	39.0	39.0
26	147	227	28	39.0	37.0
Jan. 2	192		Jan. 4	39.0	
9	239		11	39.0	
16	268		18	38.0	
23	233		25	37.5	
30	237				
Feb. 6	254		Feb. 1	35.8	
13	207		8	35.3	
20	269		15	35.5	
27	301		22	35.5	

1/ New York, Boston, Philadelphia, and Chicago.

2/ Week ended Saturday, 1942-43. Comparable date in 1943-44 one day earlier.

3/ Weekly prices. Dates shown are for 1942-43. Comparable dates in 1943-44 one day earlier.

# THE EGG SITUATION



\* 1st OF THE MONTH

# TREASURY DEPARTMENT

213

## INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

January 4, 1944

FROM Fred Smith *FS*

- (1) To keep you advised:

Inquiries from the press on Foreign Funds are increasing. It is very important that we organize the Foreign Funds story and get it out to the public. At the present time nobody understands Foreign Funds nor the job we have done on it.

In view of the importance of getting this story out and in view of the fact that the bulk of the publicity work has been done on the current tax bill, Shaeffer and I have decided to assign Mrs. Mannon to Foreign Funds for an indefinite period to get that story organized. I have checked Gaston on this and he has no serious objection. Shaeffer's men can handle all press inquiries on taxes at the present time.

- (2) For your information:

Schwarz had told both Paul and Mannon that she was working for Paul, and was required only to keep Schwarz advised. Mannon has therefore, been working under a complete misapprehension.

- (3) One of Paul's secretaries, and not Mrs. Mannon, has been clearing speeches with OWI, with the War Department and Mr. Gaston. This of course, will be cured under the new order.

TREASURY DEPARTMENT

244 ✓

INTER OFFICE COMMUNICATION

DATE JAN 4 1944

TO Secretary Morgenthau  
FROM Randolph Paul

For Your Information:

Foreign Funds Control recently ascertained through Censorship that the following transactions in Bolivian assets are about to be consummated in the New York market:

- (1) The transfer of \$200,000 from the account of the Central Bank of Bolivia to the account of the Central Bank of Argentina.
- (2) The transfer of \$50,000 from the account of the Central Bank of Bolivia to the account of the Central Bank of Peru.

Pursuant to Collado's request, with regard to Bolivian transactions, Pehle advised Collado of the above. There is no disposition here, and apparently none in the State Department, to interfere with the consummation of these transactions.



JAN 4 - 1944

MEMORANDUM TO MISS FULLY:

In response to your memorandum of December 29, I am enclosing herewith a draft of a letter from the President to the Governor of Hawaii relative to the \$10,000 contribution from the Samoan War Relief Committee of Hawaii to be divided equally among the Army Emergency Relief Fund, the Navy Relief Society, the American Red Cross, and the National War Fund. The money will be held in <sup>the</sup> suspense account in the Treasury until the enclosed draft of letter has been cleared with the President.

You may wish to call the President's attention to the second paragraph of the draft letter advising that the question of removing racial requirements for naturalization of certain persons is being referred to the Secretary of the Interior for consideration. It is assumed that you will send the Governor's letter to the Secretary of the Interior in case the President wishes that to be done.

M. MORGENTHAU, JR.

Secretary of the Treasury

MFBartelt:hv  
1/1/44

My dear Governor Stainback:

Please accept my thanks for your letter of December 14, 1943, with which you enclosed a check for \$10,000.00 as a contribution from the Samoan War Relief Committee of Hawaii, to be divided equally among the Army Emergency Relief Fund, the Navy Relief Society, the American Red Cross, and the National War Fund. The remittance has been sent to the Secretary of the Treasury for distribution in accordance with your request.

I have the highest regard for those Polynesians, Samoans, Japanese, Koreans, Greeks, Filipinos, and members of other Pacific races referred to in your letter, who are demonstrating in a positive way their attachment and loyalty to the United States under present conditions; however, since the whole matter of removing racial requirements for naturalization of such persons is one that would require careful study, I am referring your letter to the Secretary of the Interior for consideration.

May I take this opportunity to extend to you and Mrs. Stainback the season's greetings.

Sincerely yours,

Honorable Ingram N. Stainback  
Governor of Hawaii  
Honolulu, Hawaii

KFBartelt:hw  
1/1/44

C O P Y

To Mr. D. W. Bell

In response to your inquiry I see no reason why the Treasury facilities should not be used in distributing the money as requested if the President, by signing the letter, should indicate that it meets with his approval.

(Sgd) E. F. B.

1/1/44.

Mr. Bartelt

C O P Y

To Mr. Bartelt

Will you please draft letter.  
Can we distribute to Natl War  
Fund?

(Sgd) D. W. B.

12/30

Office of the Under Secretary

C O P Y

25

December 31, 1943.

The Treasurer of the United States

Sir:

It would be appreciated if you will have the enclosed check number 1 dated December 6, 1943, drawn in favor of the President of the United States, by the Samoan War Relief Fund for the Armed Forces, in the sum of \$10,000.00, collected and the proceeds therefrom held in your suspense account until the necessary information can be obtained to ascertain the disposition thereof.

Very truly yours,

(Sgd) L. L. Collie

Chief, Division of  
Bookkeeping and Warrants.

Enclosure

C O P Y

THE WHITE HOUSE

WASHINGTON

December 29, 1943

MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

With the return of the enclosed letter, will you please be good enough to let us have a draft of an appropriate note of thanks for the President's signature.

It will be very much appreciated if your Department will arrange for the distribution of the fund to the four agencies designated.

(Sgd) Grace G. Tully  
Private Secretary

C O P YTERRITORY OF HAWAII  
Executive Chambers  
Honolulu

December 14, 1943.

The President  
The White House  
Washington, D. C.

My dear Mr. President:

I enclose check in the amount of \$10,000, payable to your order, which The Samoan War Relief Fund Committee of Hawaii has presented to me for transmittal to you. It is the Committee's desire that this fund be divided equally among the Army Emergency Relief Fund, the Navy Relief Society, the American Red Cross and the National War Fund.

The fact that the Samoan population of Hawaii is so small - approximately 450 men, women and children - makes this contribution a very praiseworthy one.

It would seem a proper time for us to consider the unfairness and injustice of our existing naturalization laws which forbade, until very recently, any races other than from the Americas from becoming naturalized unless they were either of the black or the white races. Recently with your strong backing, Congress amended this act so as to permit Chinese to become naturalized as well as establishing a quota for them. This amendment does not go far enough.

For a number of years while I was Federal Judge I felt that this law should be changed so as to abolish racial requirements for those otherwise qualified to become American citizens. We have many striking examples in Hawaii of this un-American and unwise racial discrimination. The change I advocate does not necessarily permit any of the brown or yellow or any other race to enter into the United States. The unfairness and lack of wisdom is in refusing to permit those that are already here to become citizens because of their color, regardless of their otherwise high qualifications. For example: Polynesians, like the Samoans, or even those of the Hawaiian race should they be born outside of the United States, may not be naturalized under the existing law. Japanese, Koreans, Maoris, Filipinos and all the Pacific races are barred by the existing laws. We have many men in Hawaii of such ancestry who were brought here as mere infants and who have become prominent in Territorial affairs, some with children now fighting in the American armies, who are kept foreigners simply because of race.

I know at least one very high class half-Maori, a very outstanding man, a Ph. D. from Yale (though we do not hold that against him) who has been denied American citizenship because of his race alone. Many Filipinos here would give their right arms to become citizens of the United States, yet only a special limited class who have previously served in the army or the navy may acquire citizenship.

Is this not a proper time to remove racial requirements for naturalization even though we may desire to keep from migrating into the United States any large numbers of Oriental, Polynesian or other races? Is it not better to absorb those already here by permitting them to become good Americans and not keep them a foreign body within the body politic?

Mrs. Stainback joins me in Aloha to you and to Mrs. Roosevelt.

Sincerely,

INGRAM M. STAINBACK

INGRAM M. STAINBACK  
Governor of Hawaii

Encls - 1.



TREASURY DEPARTMENT  
 PROCUREMENT DIVISION  
 WASHINGTON 25



253

OFFICE OF THE DIRECTOR

January 4, 1944

**SECRET** *MX*

MEMORANDUM TO THE SECRETARY:

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

Last Friday, December 31, 1943, there was a fire at the Army Reconsignment Holding Station at Elmira, New York, in the section allocated to the Treasury Procurement Division. We immediately sent a man to Elmira to determine the extent of the damage, and while it has not been possible yet to obtain detailed information, the indications are that the materials stored in that space, consisting of various steel products, also rubber tires and other items, totaling about 185 carloads, have been damaged. A more detailed report will be submitted just as quickly as the specific information is available.

*Clifford E. Beck*  
 Clifford E. Beck  
 Director of Procurement

Attachment

LEND-LEASE  
 TREASURY DEPARTMENT, PROCUREMENT DIVISION  
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND  
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS  
 AS OF DECEMBER 29, 1943  
 (In Billions of Dollars)

SECRET

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous &amp; Undistributed</u>
Allocations	\$3996.4 (3979.1)	\$1986.5 (1980.1)	\$1560.0 (1560.0)	\$113.8 (109.8)	\$10.6 (10.6)	\$325.5 (318.6)
Purchase Authoriza- tions (Requisitions)	\$3368.0 (3354.7)	\$1765.8 (1752.3)	\$1331.1 (1333.2)	\$48.9 (43.9)	- -	\$227.2 (225.3)
Requisitions Cleared for Purchase	\$3275.4 (3270.9)	\$1715.9 (1715.6)	\$1303.2 (1302.8)	\$48.8 (43.8)	- -	\$212.5 (208.7)
Obligations	\$3123.3 (3109.8)	\$1664.2 (1600.8)	\$1265.0 (1258.1)	\$48.7 (43.7)	\$9.1 (9.1)	\$141.3 (137.9)
Deliveries to Foreign Governments at U. S. Ports*	\$1575.2 (1568.1)	\$1074.4 (1071.4)	\$457.3 (453.4)	\$20.2 (20.1)	- -	\$23.3 (23.2)

\*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 December 22, 1943.

## EXPLANATION OF DIFFERENCE

SECRET

The decrease in Purchase Authorizations for Russia is a result of adjustment of requisitions to actual contracts.

*H.H.*  
*see sub file*  
*record for*  
*leave on*  
*the subject*



DEPARTMENT OF STATE  
WASHINGTON

January 4, 1944.

Dear Henry:

May I bring to your attention the file here attached, which is self-explanatory.

You will note that, except for the first two sentences and the last two sentences, the message which I am instructed to send consists of the text of the memorandum which you sent to the President. That memorandum was prepared for the information of the President. It occurs to me to wonder whether you would wish to have the whole of its contents communicated to President Chiang. There are, for instance, in it, a number of statements which, intended for the information and guidance of President Roosevelt, might readily give rise to irritation and lead to controversy were they likewise communicated to President Chiang. When it comes to the question of Recommendations, I cannot but wonder whether it would be in our best interest to lay before the Chinese and have in the record recommendations which I take to have been made to the President for consideration and action by this Government rather than to have been drafted for consideration and action by the Chinese Government. Further, in as much as the President seems to have taken kindly to the suggestion that we send a Commission to China to confer with President Chiang and Dr. Kung regarding the problems indicated, I cannot but feel that it might be well for us not to commit ourselves at this point to an expression to the Chinese

of an

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

-2-

of an opinion that a loan is unnecessary at this time and would be undesirable from the point of view of both countries.

Having in mind these points, I wonder whether you might not be inclined to consider the possibility of its being advantageous to prepare either an edited edition of the memorandum under reference or a new memorandum, having in mind in either case the objective of putting into the message from the President to President Chiang just what and only what might most advantageously be said in such a message, as contrasted with what you have said in a memorandum prepared for the consideration of our own President. Should this idea appeal to you and should you care to have officers of this Department collaborate with officers of the Treasury for the purpose indicated, our services are at your disposal. Should you feel that, notwithstanding the points to which I have called attention, the indicated message to President Chiang should go forward without change, please let me know and I shall send it forthwith.

Sincerely yours,

*Cordell Hull*

NOT TO BE RE-TRANSMITTEDCO. X NO. 12U.S. SECRETBRITISH MOST SECRETOPTEL No. 5

Information received up to 10 A.M. 4th January, 1944.

1. NAVAL

2 Spanish destroyers returned to FERROL on 2nd with some German survivors of the recent action in the BAY OF BISCAY. On 23rd, One of H. I. Submarines torpedoed and probably sank a 5,000 ton ship South of LETOES. On 21st she sank a caique.

2. MILITARY

Italy 10 noon 3rd. 8th Army. Weather improving. Indian troops have made a little progress and established themselves astride the TOLLO Road at a point 2 M. South East of the village.

3. AIR OPERATIONS

Western Front 2nd/3rd. BERLIN. 592 tons H.E. and 439 tons incendiaries dropped including 250 4,000 pound bombs in 20 minutes. Complete cloud en route and over city. Sky markers well concentrated but ground markers invisible. Glow of fires on clouds indicated two conflagration areas. Heavy A.A. moderate to intense light A.A. used against marker flares, no searchlights. 1 enemy fighter claimed destroyed 27 bombers missing.

3rd. 33 Typhoons attacked military constructions in Northern France. From these and other operations 5 Typhoons and 2 Mustangs missing. Enemy casualties 2,0,2.

3rd/4th. 8 Mosquitoes bombed objectives in North West GERMANY.

Italy 2nd. Marauders dropped 82 tons on railway communications near SAN REMO. Mitchells dropped 58 tons on TENNI railway centre. 24 Baltimores attacked enemy positions in the battle area.

OPTEL No. 4 not sent to Washington.